0856-B-03 PREX 7.10: FBIS-EAS-92-209-A

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Daily Report

Annex

East Asia

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FBIS-EAS-92-209-A
Wednesday
28 October 1992

JB 99-014222

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JL: 1-5; 34-40

COMPLETED

East Asia
ANNEX

FBIS-EAS-92-209-A CONTENTS *28 October 1992*

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ANNEX

Japan

Tokyo 'Hurriedly' Collecting Data on Clinton *[YOMIURI SHIMBUN 26 Oct]* .... 1 — ii
Former Foreign Minister on Clinton's Policies *[YOMIURI SHIMBUN 26 Oct]* .... 1 — ii
U.S. Move To Tax Multinationals Examined *[SHUKAN TOYO KEIZAI 1 Aug]* .... 1 — ii
Developments in U.S.-EC Farm Talks Reviewed *[NIHON KEIZAI SHIMBUN 23 Oct]* .... 5 — vi
Editorial on World Opinion on Nuclear Matters *[ASAHI SHIMBUN 24 Oct]* .... 5 — vi
Firm To Ship Nuclear Fuel From Europe *[MAINICHI SHIMBUN 26 Oct]* .... 6 — vii
MITI Minister Criticizes NAFTA Expansion *[NIHON KEIZAI SHIMBUN 23 Oct]* .... 6 — vii
Economic Impact of NAFTA Examined *[SHUKAN TOYO KEIZAI 1 Aug]* .... 7 — viii
Businesses Urged To Stop Practicing 'Dango' *[MAINICHI SHIMBUN 19 Oct]* .... 11 — xii
Businessmen on High Yen, Declining Dollar *[SHUKAN DAIYAMONDO 10 Oct]* .... 12 — xiii
* Profile of Motoo Esaka of Daiwa Securities *[SHUKAN TOYO KEIZAI 15-22 Aug]* .... 14 — xv
Fujitsu Urged To Stop Reliance on Growth *[SHUKAN TOYO KEIZAI 1 Aug]* .... 14 — xv
Automakers Seek Cost Cuts, Increased Automation *[SHUKAN TOYO KEIZAI 1 Aug]* .... 17 — 64
Profile of Mitsubishi Electric's Takashi Kitaoka *[SHUKAN TOYO KEIZAI 1 Aug]* .... 20 — 67
* Series Profiles Prime Minister Miyazawa .... 21 — 68
    * 'Inept' in Personal Relations *[YOMIURI SHIMBUN 27 Aug]* .... 21 — 68
    * Viewed as 'Dove' *[YOMIURI SHIMBUN 30 Aug]* .... 22 — 69
    * Emphasis on Policy, Not Party *[YOMIURI SHIMBUN 31 Aug]* .... 23 — 70
Nikkeiren Leader Urges Takeshita Diet Testimony *[NIHON KEIZAI SHIMBUN 21 Oct]* .... 24 — 71
LDP's Mitsuzuka Stresses Electoral Reform *[YOMIURI SHIMBUN 20 Oct]* .... 24 — 71
Watanuki Recommends Political Reform *[YOMIURI SHIMBUN 17 Oct]* .... 25 — 72
Opposition Parties To Align Against LDP *[NIHON KEIZAI SHIMBUN 18 Oct]* .... 26 — 73
Editorial on Takeshita Faction Split *[TOKYO SHIMBUN 24 Oct]* .... 27 — 74
Editorial Urges Public Prosecutors' Action *[ASAHI SHIMBUN 21 Oct]* .... 28 — 75
Ishida Urges Reconsideration of Political Funds *[MAINICHI SHIMBUN 19 Oct]* .... 29 — 76

Japan

Tokyo 'Hurriedly' Collecting Data on Clinton

OW2810050892 Tokyo YOMIURI SHIMBUN in Japanese 26 Oct 92 Morning Edition p 15—FOR OFFICIAL USE ONLY

[Text] The government, as well as political and business circles, have hurriedly begun collecting information on the "new Democratic administration." The Foreign Ministry is having a hard time collecting any because "there is no one in the ministry who has direct contact with Mr. Clinton." It is now trying to get in touch with those who worked for the former Carter administration. On the other hand, officials of the Ministry of International Trade and Industry [MITI] said: "Since we have maintained connections with scholars and economists who support the Democrats, even during the Republican administration, we are not worried about lack of connections with the Democrats."

Mr. Clinton visited Japan three times as governor of Arkansas, making his first trip in 1985. He did not create a strong impression among Japanese Government officials and political and business leaders, however. A representative office for the Arkansas state government in Akasaka, Tokyo is now busy responding to inquires about Mr. Clinton, the number of which have been increasing recently.

So far 15 Japanese companies, including Sanyo Electric Company Ltd. and Marubeni Corporation, have made inroads into Arkansas. Matsuichi Nakamura, president of Daiwa Steel Pipe Company Ltd. (head office in Osaka), praises Mr. Clinton, saying: "When he attended a party celebrating the 10th anniversary of the foundation of our company, Clinton stayed until the end and talked eagerly with our employees. He is a folksy and unselfish person." Mr. Matsumoto was impressed with the Arkansas governor's speech at a meeting held a few years ago. In his speech, the governor said: "Japan is an important partner for the United States. It supports the United States by purchasing U.S. bonds. Thus, unilateral Japan bashing is unfair."

Many Japanese business leaders are wary of the Democrat's economic policies, which they think will lead the United States into protectionism. Yutaka Kume, vice chairman of Keidanren [Federation of Economic Organizations of Japan] said: "Economic friction between Japan and the United States has risen, even under the Republican administration. It might intensify somewhat under a Democratic administration. But I think no problems will occur which will dramatically change Japanese-U.S. relations."

Former Foreign Minister on Clinton's Policies

OW2810033992 Tokyo YOMIURI SHIMBUN in Japanese 26 Oct 92 Morning Edition p 15—FOR OFFICIAL USE ONLY

[Report on an interview with former Foreign Minister Saburo Okita by unattributed YOMIURI SHIMBUN reporter; place and date not given—from the "Yen" page]

[Text] Compared with President Bush's economic policy to improve industrial competitiveness, candidate Clinton's plan is reasonable. The restoration of U.S. industrial competitiveness will serve to fundamentally ease Japanese-U.S. friction.

Clinton has been setting forth policies to restore the Super 301 provision of the Omnibus Trade Act, strengthen its enforcement, and increase taxes on foreign firms operating in the United States. He seems intended to pursue a protectionist policy in the future.

The candidate has expressed his support for the North American Free Trade Agreement [NAFTA] and the multilateral trade negotiations (the Uruguay Round), however. NAFTA is a trade agreement with a strong tint for open regionalism. It is also the first step toward global liberalism.

Even if a Clinton administration is inaugurated, Japan bashing will not flare up again in the United States. Japan's economy has remained stagnant following the collapse of the bubble economy. A view is spreading among American political and business leaders that the "market mechanism is working in Japan as in other industrial nations, and thus Japan is not a special nation." This view is serving to calm down the theory of Japan's threat to the United States.

I attended the Pacific Trade and Development Conference held in Washington in September. In a conversation with me during the conference, Democratic Senator Rockefeller said: "Mr. Clinton is very intellectual. He is a man who will pursue a flexible foreign policy." Under a Clinton administration, the U.S. Congress—now dominated by anti-Japan Democrats—will restrain their anti-Japan moves.

U.S. Move To Tax Multinationals Examined

922A0353A Tokyo SHUKAN TOYO KEIZAI in Japanese 1 Aug 92 pp 74-78—FOR OFFICIAL USE ONLY

[Article by New York bureau reporter Yoshisuke Iinuma: "Are Japanese Businesses Not Paying Taxes? Strengthening Moves To Enforce Taxation of Foreign Businesses"]

[Text] In the U.S. Congress there is the criticism that Japanese businesses do not pay taxes comparable to their activity in the United States; and tax reform bills have been introduced. How are these faring?

II

On a day in early April on ABC's popular news program *Prime Time*, the following survey special was broadcast nationwide.

"Ladies and gentlemen, the deadline for filing tax returns is approaching. Are you fully prepared? It is an unpleasant time for anyone. Yet, who are the biggest tax evaders in the United States? A study by Congress says they are foreign businesses, Japanese companies in particular. Why doesn't the IRS (Internal Revenue Service—equivalent to Japan's National Tax Administration Agency) work harder to collect?"

Congressman J.J. Pickle of Texas, chairman of the House Appropriations Subcommittee, comes on screen and says with an indignant expression, "Look here! Over 70 percent of the foreign firms in the United States are paying no taxes." According to a study by the committee staff, whereas U.S. companies pay $5 to $10 on every $100 of sales as taxable income, foreign companies are said to be reporting $1.36, and Japanese companies report just $0.46.

"Japanese firms, which do so well, are paying only that much in taxes. They are either very skilled at tax evasion, or else they are the world's worst salesmen. They cannot be that poor at business.

"Although Sony makes 70 percent of its sales overseas, it pays 70 percent of its taxes in Japan. Is its profit margin four times larger in Japan? Either that, or somehow it definitely is shifting its taxes into Japan."

The news story was filled with a tone strongly suggestive of Japanese businesses hiding from taxes or maneuvering to concentrate their taxes in Japan.

If They Do Not Pay, We Will Confiscate It

As Japanese businesses explain it, there are reasons for their limited payment of taxes. The advance of businesses into the United States has suddenly increased only over the past several years. Since start-up deficits still have not been covered, it is not unreasonable that their profits have not increased as much as their sales; but the U.S. Congress does not listen to such arguments.

"The background is resentment due to the feeling that they are always being outmaneuvered by Japanese businesses and that, while Japanese business expands its activities in the United States, U.S. businesses cannot participate actively in the Japanese market," says lawyer Arthur Mitchell, who deals with the range of issues between Japen and the United States at the Chadbourne and Park law offices.

In the context of such feelings, a bill to revise the tax system was introduced this 27 May in the House of Representatives. It is entitled "A Law To Rationalize and Simplify Corporate Taxes on Foreign Income." Its main point is setting forth the position that "If they do not pay, we will confiscate," and applying it to a clear and simple method of taxation. Its sponsors are Democratic Party strongman Dan Rostenkowski, chairman of the House Appropriations Committee, and Republican Congressman Willis Gradison of Ohio.

What they call a clear and simple tax is this. In taxing foreign businesses, there are complex problems in identifying invoice prices (transfer prices) on deals such those as with the foreign parent company. For this there is what is called an independent price comparison method and the principle of setting the transfer price by referring to trading prices among independent third parties. The IRS also uses this rule in its efforts to collect taxes, but it is unavoidably dogged by technical difficulties.

So, in the Rostenkowski-Gradison bill they would avoid complex dealings with individual firms and calculate "presumed profits" by a simple method and then assess the tax on that profit.

To give a bit more detail, they would compute an average profit rate for each industry, with industries put into three categories; make 75 percent of the amount applying to sales the minimum taxable income; and assess a tax on that. Consequently, even when investments have been increased and no profits are realized, a fixed proportion of sales would always be taxed.

If a company were averse to this, it could only use the so-called APA (advance certification agreement for transfer prices) method by which it would reach agreement with the IRS in advance on its transfer prices and adopt the method of computing income by using that. Naturally, in deciding on transfer prices the principle of third-party prices would be strictly applied.

Tax Payments To Increase Considerably

This is not the only major impact that the Rostenkowski-Gradison bill would have on foreign businesses.

Lawyer Richard Hollodeck, a Chadbourne and Park law office Japan team member particularly well versed in international tax systems, points out: "There are three points. First is the substitute minimum taxation system. Second is that there would be an article partially nullifying favorable treatment accorded to foreign businesses under the current taxation treaty. Third, taxes would now be levied that have not previously been assessed on transfer profits from stocks of U.S. subsidiary companies. Those three should be noted in particular."

The tax treaty was concluded for such purposes as avoiding double taxation between the two nations; and the taxes levied on foreign firms' U.S. corporations have been made lighter than those on domestic businesses under the stipulations of the tax treaty. But, the bill would tighten the conditions for applying this and seek to narrow the scope of the benefit.

For example, when the home-country tax rate on income earned abroad from such things as dividends and interest is much lower than the tax rate on the same type

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of income generated in the home country, the benefit of the deduction allowed in the tax treaty will no longer be available. "This is the first time they have tried to invalidate the current tax treaty so broadly," says that law office's partner David Tillinghurst, who is also vice chairman of the International Accounting Federation.

Taxes on profits from the sale of stocks of U.S. subsidiaries had in the past applied only to subsidiaries whose purpose was real estate income. This is because in the tax treaty there was an item on not taxing capital gains from the sale of subsidiary companies; but under the bill taxes would also be levied on this.

In this manner, taxes on foreign businesses would increase considerably if the bill passes. Companies achieving good profits above the average rates of profit would be handled under the individual method as in the past. Furthermore, "If Japan's National Tax Administration Agency comes out and says it does not recognize the full amount of the tax taken by the presumptive method, next the deduction for the part paid in the United States would not be allowed when taxes are paid in Japan. So, the possibility of double taxation arises," says Mr. Stanley Sherwood of the Cooper and Raibrant accounting office.

Tiger at Front Door, Wolf at Rear Door

One more troubling thing is the connection between such a tax law's investigations of transfer prices and antidumping investigations by the Department of Commerce.

The reason that foreign businesses' reported income is said to be too low is that they think invoice prices are being set high for subsidiary companies and the profits are being toted up centrally in the home country; but conversely, in the case of dumping, they are investigated on suspicion of selling in the United States at unreasonably low prices. Thus, businesses are having two contradictory suspicions directed at them. For which of these should the management and accounting sections develop their figures? There will undoubtedly be on-the-scene confusion.

This year is not the first time that a bill to boost the taxes of foreign businesses has been introduced. Last year, too, the same sort of bill came up.

"I do not believe that this year's bill will pass; but the main points in the bill are sure to come up in some other bill next year, too. We should expect that sooner or later it is sure to pass in one form or another," says Mr. Tillinghurst.

As Mr. Arthur Mitchell points out, the reason the moves to boost taxation of foreign firms continue so tenaciously is by no means due solely to this being a presidential election year but is due to a mood of wanting to hold down foreign businesses, especially Japanese companies and, backing that up, because a feeling of wanting to strengthen the position of U.S. businesses is at work.

Tax Reductions for U.S. Multinational Companies

"The issue of taxing business activity crossing national boundaries focused 10-15 years ago on how to extract taxes effectively from U.S. multinational corporations. The problem was how to check the convergence of income in low tax-rate areas like Puerto Rico. However, over the past four or five years the focus has clearly shifted to foreign businesses, especially to Japanese businesses," says Mr. Sherwood.

Worked into the Rostenkowski-Gradison bill are measures to boost the taxation of foreign businesses and, constituting the opposite of that, measures to reduce taxes on U.S. multinational firms. Those are the articles altering the rules on splitting their interest burden into a domestic segment and an overseas segment, cutting the tax on overseas business profits, and abolishing the 90-percent limit for the foreign tax exclusion.

If this bill becomes law, it is estimated that the taxes of U.S. multinational firms will be lessened by $11 billion overall in a five-year period, at the same time that total taxes on foreign businesses and other U.S. firms will increase by the same amount. Still, also incorporated into this bill are articles which at the same time would increase taxes for U.S. multinationals, too, such as by cutting the favorable tax treatment of plants going into Puerto Rico or boosting the taxation of the profits of their overseas subsidiaries.

Since the effects of these differ by type of industry, approval or disapproval of the bill varies among multinational firms. Nevertheless, as stated in the above estimate, overall there is a tax reduction for U.S. multinationals. It is the view of Mr. Hollodeck that "behind this is the awareness that the United States has changed from a capital-exporting nation to a capital-importing nation."

Strongly reflected in the bill is Congress's idea of "U.S. interests," but it would be a mistake to think it is entirely that.

For, included within that is a posing of the issue of what sort of taxation is most appropriate and thus most effective for multinational firms' activities spanning national borders.

As mentioned earlier, to get the transfer price for multinational corporations the principle is to refer to the selling price of a third party having no interest in it; but the impression is strong that for the IRS, handling the work of tax collection, it is hard to make this work as a real matter.

So, instead of recognizing individual transfer prices, the trend of U.S. tax policy, says Mr. Hollodeck, "is to move in the direction of taxing according to formulated apportionments based on set formulas," such as the bill's substitute minimum tax. The IRS itself is proposing a concept called CPI (comparative range of interest).

Stated simply, they would calculate the spread of set profits from a number of companies resembling each company as to business type and, if the actual profit were within this range, the transfer price would be reasonable. But, if it were too small, the transfer price would be adjusted for being unreasonable; and a tax would be assessed on whatever exceeded a proper level for the nominal profit. This also is a proposal for taxing presumed profits.

Yet again, if—disliking the substitute minimum tax—they adopt the APA method (advance certification agreement on transfer prices), "they would be approaching the Dutch method of taxation which sets the amount of tax by negotiation" (Mr. Hollodeck). We may not overlook the aspect of "tax system evolution" thus involved here.

Still Room for Modification

Now then, ordinarily in the U.S. Congress, a bill is widely amended by a multistaged process. Whichever chamber has presented the bill first amends it in its respective committees, further work is done on it on the floor of that house and when the bill in each house does not agree, major readjustments are made in a conference session of both houses. It is not rare at all for a bill's content to be changed wholesale on entry and exit.

During this time, the views of persons concerned are expressed in hearings; and influence groups work for revision by such activity as lobbying.

Nor are the hearings mere formalities as in Japan, but actually play a major role. The U.S. approach is to make a bill relatively broad and general at first and then to amend it when it is criticized for "being unfair" and so on. The Rostenkowski-Gradison bill also is drawing such criticism and having its substance trimmed down.

It only works this way in the United States, with its principle of lawmaking by congressmen. Yet, before being introduced, even this bill was not subjected to an exchange of views on its substance with the Treasury Department.

"This bill has a protectionist character similar to the tax system. However, the Treasury Department's traditional stance is the concept of inviting multinational corporations into the U.S. market and to get money from them there. Whereas the Congress reflects the public psychology of populism in taxation, the Treasury Department also heavily weighs external aspects. Even the head of the IRS has affirmed that there is no proof that Japanese businesses are evading taxes. Might not opposing views become expressed on the elements in this bill which cannot but invite retaliation from abroad?" (Mr. Mitchell)

As the first reaction from abroad, a protest was quickly launched by the British ambassador. He particularly opposed the taxation of the transfer income of U.S. subsidiaries, reflecting the position of British multinationals, which are actively developing mergers and acquisitions and buying up subsidiaries.

"The bill makes the point that it is designed to assign a fair share of taxes collected to foreign businesses; and yet if this is a tax system by which the tax burden will increase only on foreign business, it cannot but violate the tax treaty, which says 'taxes will not be higher than on U.S. business'" (Mr. Tillinghurst).

Although tax systems are said to be a matter of each nation's sovereign power, if they unilaterally invalidate a tax treaty, that makes it an international problem. If it gives rise to retaliatory tax systems in Japan and other nations, it could even lead to losses for the United States, which still stands first in total overseas investments by multinational companies. It is this that the Treasury Department and U.S. multinationals worry about.

Into a Complex Multisided Game

The U.S. tax reform bill makes obligatory the rule of equal amounts of tax increases and decreases. If a lower tax is proposed, it must be accompanied by an increased tax source of like size. This also complicates the interests entwined in a single bill.

"U.S. businesses apply pressures to make it come out in a way favorable to themselves. Unless Japanese businesses also speak out a lot, it will be left with an anti-Japanese slant. There should not only be active political lobbying but also it would be best to express your views more at the business level with committees and others who will redraft the bill hereafter" (Mr. Hollodeck).

It is reported that the Treasury Department recently appointed a staff to stay in constant contact with the OECD financial committee. It seems their purpose may be such things as explaining the Treasury Department's own position on proposals for reforming the transfer price tax system, and exchanging views on the future of tax systems for multinationals.

For Japan, too, it would be valuable to make use of such multinational discussions. With its deficit with Japan so prominent, the U.S. moves are inevitably prone to a bias toward things that both Japan and the United States are thinking about; but one cannot say it is wise for that to be accepted as is and become caught up in confrontational designs. The taxing of multinational businesses is an issue that Japanese tax authorities also face. In dealing with Japan-U.S. issues, the wise thing would be to search out diligently with multinational bodies the elements that can be handled and to position them from a broader viewpoint.

It is folly to call this tax-system matter, too, "Japan-U.S. tax friction" and become convinced that it is the locus of tense confrontation. What is required is to utilize such bodies as the OECD and to form complex strategies of

V

competition and linkage with the multinational businesses of the European nations and the United States.

Developments in U.S.-EC Farm Talks Reviewed

OW2310175292 Tokyo NIHON KEIZAI SHIMBUN in Japanese 23 Oct 92 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] The U.S.-EC working-level talks designed to break an impasse in farm trade issues in GATT's Uruguay Round were broken off on 21 October. Concerning this development, the Japanese Government maintains that "the future prospects for the talks have become increasingly uncertain" (according to a Foreign Ministry source), and yet, the government has not changed its position that "there are sufficient grounds to believe that an agreement can be reached within the year" according to Yuji Tanahashi, administrative vice minister of the Ministry of International Trade and Industry [MITI]. In turn, government officials are hastily collecting information from the European and U.S. authorities concerned.

According to prior information gathered by the Japanese Government, the U.S. side, in an effort to reach an early compromise, waited for the EC's responses to its proposals for the following concessions: 1) excluding income subsidies from the EC's domestic subsidies, which the United States has demanded be trimmed back; 2) and reducing U.S. demands concerning the amount of export subsidies to be curtailed.

It is believed that the working-level talks broke off because the EC, dissatisfied with U.S. proposals, pressed for further concessions. The majority of people within the government believe that "the EC Commission has, for the most part, reached an agreement with the United States, and only a few member-nations such as France oppose the U.S. proposals," however. There are voices pointing out that "it is possible that rapid developments may be made in inter-European coordination during the period between next week's EC agricultural ministers meeting and the December EC summit."

According to one government source, the United States plans to appease France by making concessions in areas other than farm trade, such as services trade. Moreover, because "it is only natural that there will be both advances and retreats during the final phase of the negotiations" (according to one MITI source), the government plans to watch developments for the time being.

Editorial on World Opinion on Nuclear Matters

OW2810002992 Tokyo ASAHI SHIMBUN in Japanese 24 Oct 92 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Editorial: "Government Should Take Into Account the Opinion of the International Community in Its Nuclear Policy"]

[Text] Plutonium for use as fuel in the Monju fast-breeder reactor, to begin operating next spring in Fukui Prefecture, is about to be shipped soon from the French port of Cherbourg.

For the protection of the nuclear material, the route of the transport ship Akatsuki Maru is a guarded secret. Nevertheless, among coastal nations off which the ship is likely to pass there have appeared moves to bar its passage through their territorial waters. Most of them are Pacific and southern hemisphere nations which worry about possible sea contamination.

This suggests that Japan's development of atomic energy should not be promoted without taking into account what the international community has in mind.

The white paper on atomic energy, which was approved by the cabinet on 23 October, attempts to analyze the position Japan has taken in accordance with changes in the post-cold war international situation.

There are concerns in the former Soviet Union over the proliferation of plutonium and highly enriched uranium—removed in the process of dismantling nuclear arms—and the effluence of nuclear arms-related technology and experts. While it is encouraging that France, the PRC, and other nuclear powers have become parties to the Nuclear Non-Proliferation Treaty, there have arisen suspicions about possible attempts by Iraq, the DPRK, and other countries to develop nuclear weapons.

The white paper states that "it is necessary to take positive measures so that those turn of events will not adversely affect the peaceful use of atomic energy."

It is by no means easy to ignore the military aspect of nuclear materials, which may be compared to a "double-edged sword." Japan has promoted the peaceful use of atomic energy using technology it acquired from Western nations. If Japan should plan to take on the role as "the world's leading nation in the use of atomic energy for peaceful purposes," then it must make efforts to lead the way in building an international mechanism to check military use of nuclear material and polish its technology for peaceful application in every sense of the word.

Revision of the long-term program for the development and use of atomic energy began this fall. It is usually difficult to make changes in the established policy for a national program, but we ask the government to undertake a flexible review in response to the changing international situation.

Destitute of uranium resources, Japan chose a development policy which uses plutonium produced in the process of burning nuclear fuel recovered at reprocessing facilities. The idea is to burn plutonium in fast-breeder reactors, which will then generate more plutonium.

The development of fast-breeder reactors is on the wane internationally, however, because it is technically difficult and not convincingly cost-effective. In this picture, Japan alone stands out in the massive use of plutonium.

VI

and the glaring eyes of the international community, which is concerned about nuclear proliferation, are turned toward her.

How can these misgivings be wiped away? It is necessary for Japan to make efforts—and not just domestically—to seek clarification of its intention to go it alone in using plutonium, but also to quicken the establishment of an international control system to which the surplus stock of plutonium in the United States and the former Soviet Union will also be subject.

Although it may be necessary in the future to breed plutonium, it might be advisable for the time being to scale down plans for the development of a fast breeder. The existing reprocessing system is based on military technology for extracting high-purity plutonium for nuclear weapons. If plutonium is extracted in a mixture with americium and neptunium, which exist in burnt nuclear fuel, it would be hard to use it in weaponry. This technique has something attractive in itself from the viewpoint of preventing nuclear proliferation and eliminating burdensome, long-life radioactive elements from nuclear waste.

Yet another subject of importance is the perspective in which atomic energy is positioned within the entirety of energy policies. Have not debates on atomic energy tended to be exclusive? In the upcoming deliberations on the long-term program, we wish to see the range of discussions broadened, with participation by specialists on natural energy and environmental issues.

While Japan describes the use of plutonium as a means to gain energy security, other Pacific nations tie the protection of their peripheral waters from plutonium contamination to their security. Has Japan been attentive enough to their concerns in planning the transport of plutonium?

Firm To Ship Nuclear Fuel From Europe

OW2810055692 Tokyo MAINICHI SHIMBUN in Japanese 26 Oct 92 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] Tokyo Electric Power Company [TEPC] has decided to import uranium-plutonium mixed oxide fuel (MOX fuel) from Europe beginning in 1994. This was revealed by a concerned source on 25 October. Pursuant to the Japanese-U.S. Atomic Energy Treaty, the Japanese Government will consult with the governments of the United States and other concerned countries about the matter.

The fuel is for use by atomic power stations now in operation which use light-water reactors. In the transport of the material, the company must take considerations with the plutonium shipment as to the possibility of accidents and hijacking. It is likely the shipment will once again raise a world alarm over its navigation route. The reactor to use the MOX fuel will probably be Fukushima Unit One Reactor in Fukushima Prefecture, and TEPC is informally negotiating with the people of the area regarding the matter.

At present, nuclear fuel spent by power stations is reprocessed in England and France, and the reprocessed plutonium is shipped back to these stations. By 2010 the volume of plutonium reprocessed and returned to Japan will amount to about 85 tons. The plan is to reuse almost all the material as fuel in fast breeder reactors. But its actual use has been delayed, which means the returned plutonium is not being fully utilized. Given the situation, it is possible international criticism will arise, questioning whether or not "Japan is storing the unnecessarily high volume of plutonium with the intention of using it for nuclear arms in the future." Consequently, as a way of using the material, the government presented a plan to the Atomic Energy Commission last summer to use about 50 tons of plutonium as MOX fuel on light-water reactors in a "poolthermal" [as published] method.

Subsequently, electric power companies including TEPC began studying ways of obtaining MOX fuel, and TPEC has decided to have part of the reprocessed plutonium made into MOX fuel at a MOX fuel manufacturing plant in Europe. The company is now consulting with "Belgo-Nuclear" [as published], a Belgian company which has a MOX fuel plant.

The plutonium content of MOX fuel used in light-water reactors is only 3-5 percent, but it is said this plutonium can be separated by chemical methods. As such, strict control is necessary to prevent the diversion of the material for use in nuclear arms as well as to guard against radioactive exposure of the material.

MITI Minister Criticizes NAFTA Expansion

OW2410030592 Tokyo NIHON KEIZAI SHIMBUN in Japanese 23 Oct Evening Edition—FOR OFFICIAL USE ONLY

[By reporter Omaki; received via Nikkei Telecom Database]

[Text] Jakarta, 23 October—The minister of international trade and industry, who is visiting Indonesia, on the evening of 22 October expressed critical views on an optional concept where the United States might expand the North American Free Trade Agreement (NAFTA) to include such countries as Hong Kong and Singapore saying, "I wonder if this method of pole-and-line fishing [asking country by country] would work." A source, who is accompanying the minister, also pointed out that "problems exist in the NAFTA itself."

The optional concept for the NAFTA is designed to include Singapore, Hong Kong, and other trade partners and regions where the United States considers these nations to be making progress in promoting market liberalization, in its membership. Japan and many Asian nations, which are considered nations where many trade barriers exist, are excluded. There is a movement in Asia

VII

to study the possibility of promoting formation of an East Asian Economic Group within the Association of Southeast Asian Nations.

Economic Impact of NAFTA Examined

922A0350A Tokyo SHUKAN TOYO KEIZAI in Japanese 1 Aug 92 pp 40-45—FOR OFFICIAL USE ONLY

[Article by reporter Yuichiro Yama-agata: "Will Japan Be Excluded?—Impact of Advent of North American Free Trade Zone"]

[Text] If a free trade agreement is initiated by the three countries of the United States, Mexico, and Canada (NAFTA), a giant economic unification comparable to the EC will have taken a step toward becoming reality. What is its aim and what will the influence on Japan be?

On 14 July in San Diego along the California border with Mexico, two presidents met face to face. They were President Bush of the United States and President Salinas of Mexico.

Originally the two presidents were scheduled to watch the major league all-star game together. However, what suddenly disrupted that plan was the NAFTA meeting.

The fact of the matter is that NAFTA (North American Free Trade Agreement) negotiations had been carried out in Washington for four days up to 11 July. However, when the negotiations reached the crucial point, a stalemate developed. It became necessary to break the deadlock at a top-level meeting. The result of that meeting was an agreement that the trade ministers of the three countries of the United States, Mexico, and Canada would hold a final ministerial-level meeting on 25 July.

For President Bush, this a presidential election year. It is extremely important how he will make this his sales point. In the White House, there is a push on to conclude the NAFTA agreement quickly before the November presidential election. For the four U.S. states bordering Mexico (see map on page 44), the NAFTA agreement would be a positive development. What is more, it would raise hopes for the Hispanic vote. If concessions from Mexico in opening its market in the problem areas of finance and energy can be won, that would lead to support from the business world, also.

President Bush, speaking in terms of watching a baseball game, said that the NAFTA negotiations had "entered the top of the ninth inning." To conclude the NAFTA agreement in time for the November presidential election, it will be necessary to reach an agreement by 5 August. The reason for this is that it is a rule that the U.S. Congress be notified three months in advance and that approval be granted by both the Senate and the House of Representatives.

However, there is a possibility that this will not be done by the time of the presidential election. The case where a negotiated agreement would not be reached until next year has not disappeared. In that case, it just might be that there will be a new president other than President Bush on the scene.

Link to Central, South America Via Mexico

NAFTA is the daring venture to create a North American free trade bloc through the achievement of economic unity of the United States, Mexico, and Canada, three countries which share common borders. If this does in fact become reality, it will mean the advent of a giant economic bloc comparable to the European Community.

According to Shunichi Hiraki, secretary of the Industrial Bank of Japan investigative department, the GNP of NAFTA would be $590,810,000 [figure as published]. This would exceed the size of the $586,290,000 [figure as published] European economic zone. In terms of population, also, the 359 million people in NAFTA would be almost equal to the 375 million of the European economic bloc.

The negotiations surrounding NAFTA commenced in June 1991 (see chronological table). There are six major areas of negotiation. These are market access, trade rules, investment problems, service problems, intellectual property, and settlement of disputes. Apart from trade problems, attention is also being focused on labor problems and environmental problems.

Path to NAFTA

1989	February—U.S.-Canadian Free Trade Agreement came into effect
1990	June—President Bush announces EAI (Enterprise for the Americas Initiative) August—At U.S.-Mexican leaders conference, agreement reached on preliminary negotiations for a U.S.-Mexican Free Trade Agreement
1991	February—President Bush announces that Canada will join the U.S.-Mexican negotiations and provides impetus for NAFTA May—U.S. decides to delay Fast Track for two years (by May 1993) June—Commencement of NAFTA negotiations by the United States, Mexico, and Canada
1992	July—President Bush and President Salinas hold discussions in preparation for final agreement

Incidentally, up until now there have been two major developments leading up to the realization of NAFTA. One was the U.S.-Canadian Free Trade Agreement which came into effect in January 1989. The other is EAI (Enterprise for the Americas Initiative), which was announced by President Bush in June 1990.

Even if the United States and Mexico had proceeded with free trade agreement negotiations on a two-country basis, there was already a free trade agreement in existence between the United States and Canada. If an agreement between the United States and Mexico were not coordinated with that, there was a possibility that confusion in trade and the flow of investment among the three countries would develop. Therefore, the U.S.-Canada and U.S.-Mexico negotiations had to be brought together into three-country, U.S.-Mexico-Canada, negotiations. NAFTA flowered from this.

On the other hand, the United States had the idea of EAI, or what could be called the "western hemisphere free trade economic bloc idea" (see "Speeded Up Unification of North and South America" in the 20 June issue of this magazine). The success of NAFTA is the important first step of that idea.

Aims of the United States and Mexico Respectively

Although NAFTA is a three-country negotiation, what is receiving particular attention is the relationship between the United States and Mexico.

The GDP [gross domestic product] of Mexico is the small size of only one-third to one-half that of the United States (see the three-country comparison) and there is no previous example of the formation of a free trade block between a giant industrially advanced nation and a developing country.

The United States, Mexico, Canada: Capabilities Comparison (1990)

	U.S.	Mexico	Canada
Population (10,000 people)	25,000	8,620	2,660
Work population (10,000 people)	12,480	2,620	1,370
Per capita GDP (U.S. $)	21,700	2,760	21,620
Exports ($100 million)	3,895	268	1,290
Imports ($100 million)	4,977	298	1,191

At present, the reduction of customs duties, the removal of duty-free barriers, the removal of import restrictions, the liberalization of investment, the protection of intellectual property, and so on are being mulled over.

The aims of the United States in establishing NAFTA are various and sundry. One of them is, however, to stem the flow of illegal workers north from Mexico. It is inevitable that illegal laborers will seep out of Mexico, a poor country that embraces a population exceeding 80 million people. What can stem this flow of illegal workers is not the U.S.-Mexican border patrol but the economic growth and stability of Mexico. NAFTA has the potential of bringing that into reality.

Moreover, through NAFTA, the United States wants to gain access to the young, cheap, abundant labor force of Mexico. Through the economic unification with Mexico, the labor-intensive industries of the United States would be able to strengthen their international competitiveness.

The potential has arisen for the United States to substitute through NAFTA U.S.-Mexican-Canadian industrial products from Mexico for those foreign industrial products imported from South Asia. By this means, the United States might be able to improve its trade deficit with East Asia.

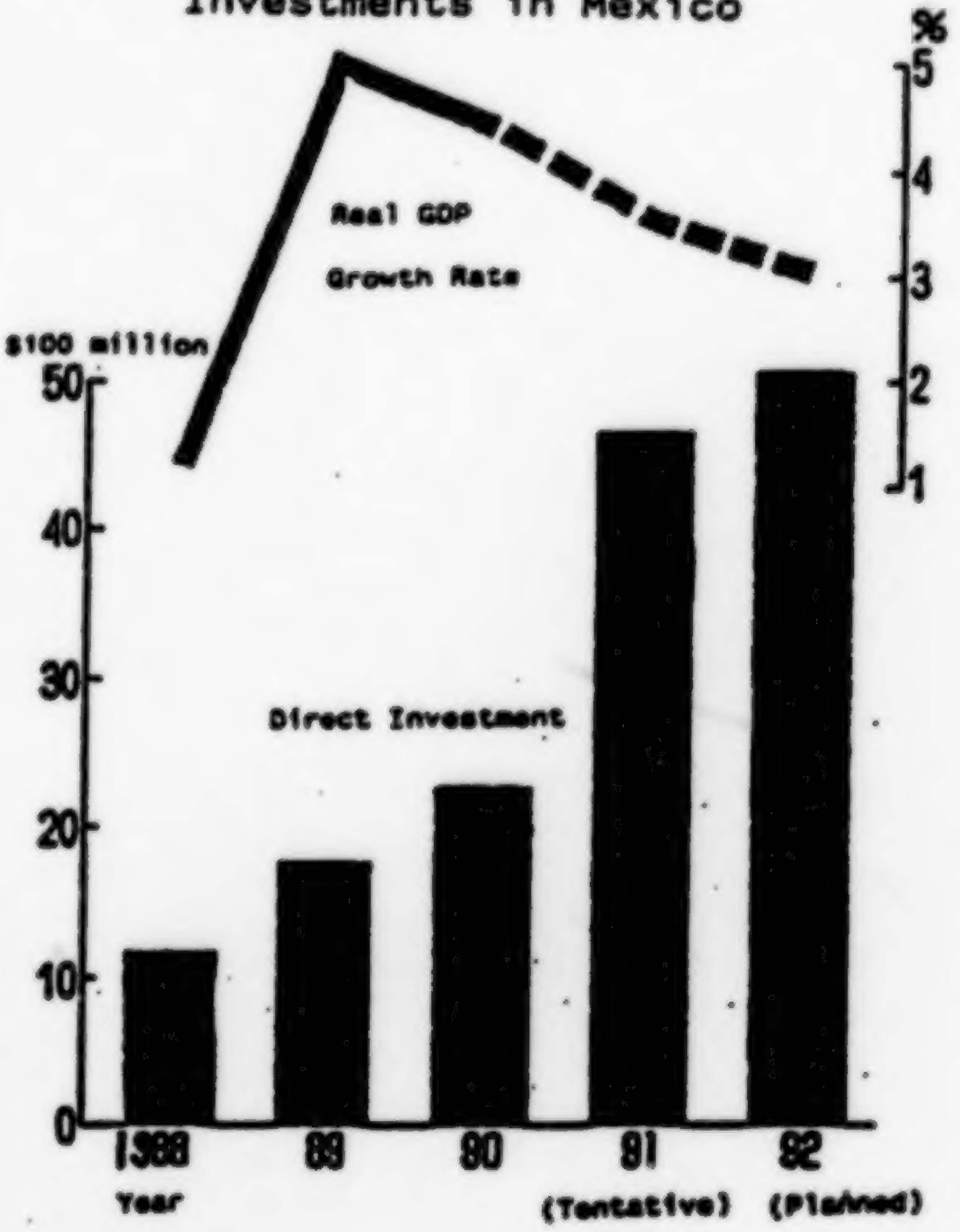
Tremendous NAFTA Effectiveness

The Mexican economy at present is advancing smoothly. Although the accumulated debts are heavy, improvements in the performance of the flow of the economy are conspicuous.

As is shown in the graph, the economic growth of Mexico is continuing. In particular, under President Salinas, who previously was the minister in charge of finance, 1992 is forecast to be a year in which there will be a positive financial balance. This is something which has not happened in recent years.

The NAFTA negotiations are supplying a favorable wind to the growth and stability of the Mexican economy.

Continued High Growth, Increased Investments in Mexico



IX

Already in the purchase of futures, direct investments and investments in bonds from overseas have suddenly begun to flow in.

Although the trade deficit is well on its way to expanding, if the contents are examined, importing of capital goods and intermediate goods is increasing, but the unhealthy form of an increase in the importing of consumer goods is not present. Conversely, for exports, the relative importance of oil exporting has decreased and exports of industrial products have come to form just a little less than 60 percent of the whole.

To promote reform, President Salinas is hoping for development and stability of the economy, which is the base of such reform. To accomplish that, for Mexico, which suffers from a "lack of money sickness," use of foreign capital is essential. They will have to involve the United States in that through NAFTA and will have to gain international credit above and beyond their actual abilities.

If the international agreement called NAFTA is concluded, it will mean that the line of policy followed by successors to President Salinas, who has only three years remaining in his term in office (in Mexico, reelection of a president is prohibited), will be limited by outside factors.

Thoughts Concerning Pending Questions

However, the worry for Mexico is whether its weak industries which have been protected up until now will be crushed by the impact of NAFTA.

Those types of areas are remaining to the end as pending questions even in the negotiations between the United States and Mexico. Those areas are mainly the four areas of energy, financing, agriculture, and automobile.

The oil sector, which can be called the symbol of Mexican independence, has undergone the bitter experience of once being under the domination of U.S. capital. In response, involvement of foreign capital in hydrocarbon resources has been strictly forbidden by the constitution. As a result, Pemex, the monopolistic Mexican national oil company, occupies an important position in the national economy. For that reason it has been called "a country within a country."

However, from the viewpoint of the United States, the Mexican oilfields are more promising in comparison to their own. Therefore, they would like by all means to take part in development of those oilfields. In particular, for the plebeian multitude of oil companies in Texas, the state from which President Bush hails, the oilfields of Mexico are the object of their covetousness which lie right in front of their eyes.

Changes have already occurred. Triton Energy, a U.S. oil company, while being only a subcontractor, has been contracted for one area of exploration and development. In preparation for events after conclusion of the NAFTA treaty, the Japan National Oil Corporation, also, has begun watching the conditions of Mexican oil, an area which they have given very little coverage up until now.

At present, the earnings of Pemex are sluggish and the amount of oil produced is remaining at the same level. The amount of oil reserves in the Mexican oilfields has decreased.

For this reason, Akira Ishii, manager of the planning and survey section of the planning and survey department of the National Oil Corp. feels that, "President Salinas wants to use NAFTA as the opportunity to introduce state-of-the-art technology from industrially advanced nations into Pemex and thereby raise the recovery ratio of existing oilfields and develop new oilfields."

Further, in Venezuela, another giant oil-producing country in South America, the policy of 100-percent ownership of oil companies by the country has been changed to a policy of introduction of foreign capital. They are planning to use foreign capital to revitalize superannuated oilfields and to explore for new fields. President Salinas, also, shall keep a close watch on this tendency out of the corner of his eye.

Meanwhile, the financial division has already completed the conversion of 18 government-managed commercial banks to private management in June 1991. However, at present, when it comes to foreign capital banks, only Citibank of the United States has been granted permission to open a branch. The United States is requesting even further opening of the Mexican financial market.

Although worry remains that the immature Mexican finances will be dominated by foreign countries, the modernization of finances in line with the economic development of Mexico is also being expedited.

In Mexican banking circles, by the year 2000, participation by U.S. and Canadian banks will be permitted, beginning with an 8-percent participation and increasing to 15 percent. Thereafter, talk has it that they will move on to complete liberalization.

Anticipating NAFTA, Japanese, U.S., and European industries are already showing vigorous activity.

For example, the Japanese, U.S., and European automotive industries are rushing pell-mell toward confused production expansion competition.

VW, tops in the Mexican automotive industry, is moving toward expanded production through large-scale investment. GM, while on the one hand scrapping factories in the United States, is making investments for increased production in Mexico. The number of automobiles produced by GM has already increased from 63,206 (1987) to 191,050 in 1991.

Vigorous Activity of Japanese-American Industries

Nissan also will begin operation of its second off-line factory at the end of 1992. This will add 100,000 units to its present 150,000-170,000 unit organization. However, according to Masao Horie, supervisor of the overseas general control home office European/American business group, "The part representing the increase will be directed to the expanding domestic Mexican market and to export to Japan and Central and South America."

In the future, however, Nissan will look for the most suitable production location within the United States and Mexico. After NAFTA has been concluded, Mexico may have the importance of being the base of production operations for North America.

Transfer of the TV factories from the United States to Mexico is also being done at a fast pitch. With its target set for the end of the year, Hitachi is planning to stop TV production at its Anaheim factory and transfer it to a factory located along the U.S.-Mexican border. Hitachi states its strategy clearly: "This is a response brought about by consciousness of NAFTA. The Mexican factory is targeting the U.S. market."

Samsung Electronics of Korea is closing its New Jersey TV factory and moving it to Mexico. On the other hand, Zenith, a U.S. company, is transferring management of its Missouri and Taiwan TV production to Mexico. They are foreseeing a lowering of the trade barriers between the United States and Mexico through NAFTA. They are proceeding with relocating their production base.

Concern About Forming a Bloc

However, worries about NAFTA becoming an economic bloc are as they have always been firmly rooted. As might be expected from the fact that the United States, Canada, and Mexico are creating NAFTA with much difficulty, there is a worry that third parties, including Japan, might be treated in a discriminatory manner. There is also the apprehension that the tendency to exclude them might grow stronger.

Even while advocating free trade, through such methods as restricting the country of origin, imposing collateral conditions, and so on, depending on the degree of those actions, they will be able to restrain the activities of third parties in North America.

According to Yasuo Tanabe, North American trade planner who is in charge of NAFTA at the Ministry of International Trade and Industry, Japan's greatest concerns revolve mainly around four points.

First is whether the automobile-related country-of-origin restrictions will be changed for the worse from the present 50 percent agreed upon in the U.S.-Canada Free Trade Agreement or not. Second is whether Mexico will, in the process of abolishing the restrictions related to automotive trade and investment, put into practice a discriminatory response between makers who have already advanced into Mexico and those which are planning to launch new businesses in Mexico. Third is the question of the continued existence of maquiladoras, bonded industrial zones. The fourth concern is related to industrial participation in the field of Mexican energy. The question is whether the door will be opened only to the United States.

Concerning the country-of-origin restrictions, as can be seen from the Honda incident in the United States, cases have come to the fore where cars are not recognized as made in North America due to unclear standards. Honda interprets this as "action by the United States in light of NAFTA."

It is said that the United States is demanding that the country-of-origin ratio for automobiles be 65 percent. What will become a problem here is the murkiness of the country-of-origin ratio itself and the method of calculating the country or origin ratio.

According to the Foreign Ministry, Japan has already made formal representations to the United States, Mexico, and Canada.

In those representations, the Japanese position is that it is opposed to NAFTA excluding third parties. In particular, related to country-of-origin restrictions, it is demanding the establishment of clear-cut application standards, fairness of application, and uniformity among the three countries.

Regarding maquiladoras, until now they have been instrumental in the acquisition of foreign currency for Mexico and the creation of employment. If NAFTA comes into effect, however, maquiradoras will assume a heterogeneous character within the strict NAFTA country-of-origin restrictions. If this is abolished in one fell swoop, it would be a major blow to those industries that established themselves there under the premise that they were bonded industrial zones.

In the case of Yazaki General Industries, which has been active in the maquiradoras for a long time and has 16 factories there, and which manufactures wire harnesses for automobiles, they are already buying the majority of their raw materials from the United States and Mexico and have always exhibited a flexible response to circumstances.

Even for Nissan (engaged in activities outside of maquiradora zones), which has been active in Mexico since 1966, the majority of the about 200 companies from which it buys parts are Mexican industries (U.S.-run companies and European-run companies are greatest in number) and up until recently, its relationship with other Japanese-run industries was limited to only three companies.

It can be said that that group of companies which has a history of locally established businesses is relatively prepared for eventualities even after NAFTA. There is a problem, however, for those industries from countries other than the United States, Mexico, and Canada which have only a shallow business history in Mexico and for those industries which are planning to advance newly into Mexico. If NAFTA is going to exclude third party countries, those industries would receive a direct blow.

When the free trade agreement is concluded, GATT will examine to see if there is discrimination toward countries outside the area. However, Article 24 of GATT, which prescribes that, is unclear and rendering a precise judgment is close to impossible. In addition, at the time of the U.S.-Canada Free Trade Agreement, the examination took two and a half years. Will NAFTA, as its name implies, truly become a free trade agreement? This is a matter that Japan cannot treat with indifference.

Businesses Urged To Stop Practicing 'Dango'

OW2210151692 Tokyo MAINICHI SHIMBUN in Japanese 19 Oct 92 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] The tendency among the Japanese business community to collude in biddings [dango] is very entrenched. There has been another revelation of this tendency recently. The latest case of dango was particularly vicious in nature, and the Special Invetigation Department of Tokyo District Prosecutors Office arrested six people on charges of practicing dango—a punishable offence under the Criminal Code.

The printing industry was found to have been involved in the latest case of case of dango. Only last April, 15 companies within the same industry were warned not to engage in dango by the Fair Trade Commission [FTC]. Now five printing companies, including top-ranked ones, colluded together in advance of a bid to produce seals used on pension payment notices by the Social Insurance Agency. The companies agreed among themselves which would win the bid, and ensured the price was very high. They are alleged to have then divided up the illicit profits earned from the deal.

It has been learned that nearly 30 percent of the total bid amount of 670 million yen was divided up among the companies—each of them getting scores of millions yen in profit. That is not all. Bidding on the seals has been conducted more than a dozen times since 1989, with bid amounts exceeding 6 billion yen altogether. The case which has come to light this time concerns only one of them. The suspicion is strong that dango was practiced in other bids as well.

What we must note in this case is that this was an exclusionary dango partaken in by only a small number of makers holding special technology. The production know how for these seals is something relatively new, and there are only a limited number of manufacturers which have it. Meanwhile, the buyer had no technical knowledge of the products, and had no way of knowing the right price. Since the number of manufacturers was limited, the consultation in advance was easily done. Circumstances being such, public money was swallowed up in broad daylight. Despite this, we have to wonder whether there was a problem with the way the Social Insurance Agency handled the bids.

The circumstances in which technology is special or held by only a small number of manufacturers can exist in many other industries. In such circumstances, we must assume there is the possibility of dango happening. How dango can be checked is a major task in the context of government policy banning business monopolies, and in view of the need to assure fairness in the assignment of public works projects. One good way to tackle it might be to seek active participation in bidding by foreign firms.

The dango scandals have recently followed one after another. One other recent dango scandal happened in May and involved 66 construction firms in Saitama Prefecture. It resulted in the FTC serving warnings to the firms involved not to engage in dango again. Similar warnings were issued to 166 construction-related companies in Aichi Prefecture in July. More recently, in October, the FTC conducted on-site inspections of offices of major construction companies to investigate them on suspicion of having made prior consultations on bidding for a sewage system project in Kawasaki city.

"They never learn" is not the right expression to use here. A better way to put it, to our regret, is that "people have caught a glimpse of the tip of a great iceberg when it comes to the temptation to get involved in dango." Even in the latest case on bidding for seals, the dango came to light only by accident in the course of an investigation into an unrelated case of tax evasion. If it had not been for that accident, the case would not have been brought to light and would have stayed buried in the dark. The reason why these dango tendencies will never leave the business community in Japan is because the government's antimonopoly policy has been left too diluted for so long.

But there has been a clear change since Japan promised to beef up its antimonopoly policy in the Japan-U.S. structural impediments initiative talks two years ago. The FTC changed its position, raised fines, and, for the first time in 17 years, made criminal indictments on cartel acts. Now underway in the Diet are deliberations on a bill to toughen criminal penalties on such vicious business acts as cartel forming.

The toughening of legal action is important, but equally important is changing the way the business community thinks. In the past, the business community has not had much sense of guilt about practicing dango or forming cartels. Above all, businesses must realize that such acts violate the great rules of free trade and constitute "social crimes" damaging the interests of consumers and taxpayers.

As such, it is good to hear that there is now a move among many corporations to prepare their own "Antimonopoly Law manuals" which explain the law and provide guidance on how abide by it. We hope that such

XII

a move will spread to the whole business community and that the community will make efforts so that everyone in it may be informed.

Businessmen on High Yen, Declining Dollar

OW2810090492 Tokyo SHUKAN DAIYAMONDO in Japanese 10 Oct 92 pp 20-22—FOR OFFICIAL USE ONLY

["Special report" by Kenichi Tsuboi: "Exchange Rate: The Shock of the First Yen Appreciation Adjustment in Five Years"]

[Text] The yen has hit a record five-year high. The effect of last month's European currencies' turmoil has spread to the yen, forcing it into a phase of higher-yen adjustment. Consternation among export industries is due to the fact that the higher yen had not been anticipated under the current deflationary economic situation. How long will the situation last, and how far will it go?

Torrents of Speculative Funds

Let us review the trends of international currencies for the past three weeks.

The difference in rates of interest between Germany and the United States has grown due to the increased money supply necessitated by the unification of the two Germanies, and the subsequent high interest policy to curb inflation. The United Kingdom raised the minimum interest on loans twice in a single day, but the measures did not work and the pound was subjected to bunched sales. The bear raiding on the pound continued, and it reached a climax on 16 September when the United Kingdom decided to withdraw from the Exchange Rate Mechanism (ERM). The value of the pound fell so sharply that the 10 billion European Currency Units (ECUs) the United Kingdom had arranged to prop up the sterling was gone overnight.

A City Bank exchange dealer said: "The situation at that time was so confused that exchange rates seemed to not exist in the market. Selling and buying made such a pell-mell rush on dollars and pounds that you could not make out the rates at which these currencies were being traded."

At last the ERM, the foundation of the European Monetary System (EMS) which was designed to unify the currencies, faced virtual collapse. Funds without anywhere to go sought safe haven currencies and were directed to buy the yen instead of dollars because of the recent deterioration in U.S. employment statistics.

At a Franco-German summit meeting on 22 September it was decided to coordinate intervention in the defense of the franc, and on 23 September U.S. Under-Secretary of the Treasury [for International Affairs David C.] Mulford acknowledged the high yen and low dollar. This pushed the value of the yen higher in European and U.S. markets. On 24 September, following a Japanese holiday, one dollar was traded at the level of 119 yen at one time on the Tokyo market. On 28 September, after a weekend, Japanese Finance Minister Hata was reported as insinuating he would permit a "slow upturn in the value of the yen." It was a decisive factor in laying the basis for the high yen, the highest in history since 1988.

Export industries were shocked and, as one electrical appliance manufacturers put it, they were met with "a totally unanticipated high yen." Many industrialists see the high yen as a temporary phenomenon because of the current slump in the Japanese economy.

Tadashi Okita, vice president of Hitachi Limited, said: "The high yen will not last for a long time, since it was brought about by confusion in European currencies and the unclear U.S. business outlook with the November presidential election just ahead." Ryozo Hiramitsu, director and chief of the accounting division of Canon Inc., said: "Although there is a sense of security that the yen will be bought, I do not think the yen rate will settle at the 110 yen to the dollar level for a medium-range period because the yen is fundamentally weak." Keizo Fukagawa, managing director of Fujitsu Limited, said: "The Japanese economy is not substantially good and the high yen trend will not last for long, although I would hope that it would."

The Yen's Turn, After Five Years' of Negligence

Some view the high yen as a logical conclusion. That is, markets have operated excessively with Europe as the center, and when the ERM collapsed it was only natural for the yen to take its turn after the European currencies in the search for a substantial floating equilibrium.

Akira Sakata, assistant chief of the exchange fund division of the Bank of Tokyo, said: "The yen is not at all inferior. The global competitive power of our industries is relatively strong and the balance of current account is in the black to the tune of more than 100 billion dollars. Those engaged in markets, industries and government agree that they favor a slow adjustment toward a higher yen. In other words, after being neglected for five years, the yen is now being asked to play a new role. There seems to be a comparatively large amount of money to spare in buying yen."

Despite denials from the Bundesbank, rates of interest will be lowered in view of the German economy's strong inclination toward recession. Anyhow, exchange rates will be separated from interest rates. Therefore, importance will be attached to such basic data as purchasing power at par and balance of current account, and the underlying trend of a higher yen will continue into next year.

Hideaki Akimoto, chief of the investment research department of Daiwa Soken, said: "The balance of current account, that reflects the credibility of the currency, will amount to 110-120 billion dollars this year. Sooner or later, when separated from interest rates,

XIII

money—including funds for investment—will mark the yen as a target. I expect this to happen next year."

The high yen will, in due course, push the current account balance into the red, but for the time being the J-curve effects will add black figures, furthering the factors for a higher yen. As Mr. Akimoto said, if it will take several months before the J-curve comes downward, it is also convincing that the high yen tendency will continue next year.

Damage to Business Upturn

Currency authorities seem to be permitting the rate of exchange to remain at the level of about 120 yen to the dollar, and will let it make a slow upward turn to the level of approximately 115 yen to the dollar. According to an exchange dealer at Citibank: "Overseas investors have oversold dollars and they have to buy them back, and this will temporarily push the rate back to the 120 yen level. But in due time the rate will be 115 to 117 yen." Associate professor Motoshige Ito of Tokyo University said that it must be taken into consideration that next year the rate may go below 110 yen to a dollar."

Generally speaking, the high yen rate will have both advantageous and disadvantageous effects on domestic business and it is not known what the effects will be under the current complex business slowdown. Toshio Ito, a director and chief of the economic research division of Sumitomo Bank, explained: "If the yen continues to climb too fast, it is anticipated that the business performance of industries associated with export industries will deteriorate and optimism among industries will be further depressed, bringing about the bad effect of further slowing down business recovery."

The deterioration of export industries will further slow down inventory adjustment of electronics and the like. A high yen does not have too much merit, because domestic demand is feeble, in spite of the lower cost of raw materials. According to Mitsui & Company Limited, the high yen will hold down business performance for a short period, slow down business recovery, and deter trade expansion because of the instability of the value of currency."

Director Fukagawa of Fujitsu Limited, reflecting the views of those in export industries, said there may be a necessity to adjust business forecast once more below the present one, if the high yen trend settles down. Canon's director Hiramitsu said: "During the current period, the merits of highly valued European currencies have been offset to a considerable degree by the demerits of lower dollars, inflicting minor effects on profits. But, if such levels continue to prevail in the next period, we have to examine the possibility of adjustment in dollar-based export prices and consider curtailment of expenses." Brother Industries Limited has a very grim view of the anticipated effects of the next period. The company will do its best in curtailing expenses and in restructuring. It is also considering putting into effect exchange contracts and price hikes for certain areas and products.

Unlike previous times when the yen was highly quoted, there has been a leveling off of sales quantity due to a slump in domestic demand and shrunken off-record profits due to deflation in assets, and the situation is more serious than the past. Associate professor Ito of Tokyo University said individual industries are facing serious difficulties although black-ink figures in the current account balance does not matter much from a macroscopic viewpoint. Division chief Akimoto of Daiwa Soken says: "In electrical appliances, there will be a decrease of from 8-10 percent in current profit, if yen is quoted five yen higher to the dollar."

Possibility of Dollar Crash

What is most feared is a crash of the dollar. Tatsuo Anira, a director and chief of the exchange fund division of Sakura Bank says that what he "fears most is the dollars' freefall after dollars are quoted steadily less in value, and that worry has not vanished."

Richard Koo, senior research member of NRI Limited, points to the similarity between the present situation and the situation in March of 1987 when the basis for Black Monday was formed. "That time was the end of a fiscal year and a critical situation was created by the value of the dollar going down below the 150 yen to the dollar level. Baker [then the U.S. Secretary of State] and Miyazawa [then the Japanese Finance Minister] met twice and agreement was reached among the Group of Seven. By chance, the level of 150 yen to the dollar collapsed and Japanese investors rushed to sell dollars in panic, bringing a sudden fall in U.S. bond quotations. Exchange quotations do not necessarily change only by fundamentals. If the worst scenario is drawn, the second advent of March 1987 could eventuate accidentally. If ever that happens, the damage to U.S. stocks and bond markets will be extremely great. The future depends on Japanese investors and how they act. If it is believed they will sell large amounts of dollars, investors in Europe and the U.S. will try to move beforehand, and confusion will follow."

Mr. Akimoto of Daiwa Soken says: "A dollar crash is hardly anticipated. Although there is a financial deficit of $360 billion, primary deficit only amounts to approximately $30 billion when liabilities to take care of saving and loan association (S & L) problems and money needed to redeem Federal bonds are excluded. Since they are deficits created by money to be returned to the private sector, crowding out is not taking place. Although financial outlay is not contributing to business recovery, the deficit is in actuality not an enormous figure."

Mr. Richard Koo continued: "I do not think that the factor is so strong that dollars have to be sold in a bunch. The United States is in the black in its current account with Europe. In this year's second quarter, the United States registered the highest growth rate among Japan, the U.S., and Germany. If the cheap dollar trend continues, the United States will gain more competitive power in Europe."

In fact, dollars are not weak against European currencies, except for the German mark. Furthermore, the Bank of Japan can intervene at any time to buy dollars. Which are the main players in this turbulence of international currencies? The yen or the dollar? The Bank of Japan or the Federal Reserve Board (FRB)? The answer to this question will be forthcoming within the week.

* Profile of Motoo Esaka of Daiwa Securities

922A0394A Tokyo SHUKAN TOYO KEIZAI in Japanese 15-22 Aug 92 pp 76-77—FOR OFFICIAL USE ONLY

[Text] Tokyo—He is tall and handsome. He is not garish like a typical stockbroker. His smart appearance may be due to his career in underwriting for corporations. But he seems to be a little discontented with this view.

"I was initially assigned to the division for financial corporations. But, at that time, not only the banks themselves but their employees also were customers. I used to beg their female employees to buy stocks."

When he was about to become the company's president, he made a resolution: "Do what I believe is right. Manage the business intelligently. Have my word understood thoroughly by everyone." He thinks it over and over again how to express his ideas.

He calls out to the staff, "Let us make stocks visible." There is a reflection that during the bubble period in the late 1980's a large amount of money flowed into the stock markets, and the markets were transformed to trade on stock prices themselves, meaning stock indices. He says to his staff, "Let us show the public the real feature of stocks again. Ask the people to compare the product of their familiar brand with that of some other companies. If the product is good and selling well, ask them to buy the company's shares." And he adds, "I am now instructing my staff to find investors, cultivate them, and ask them to invest."

"It takes time to cultivate investors. It cannot be counted on as a quick remedy for recovery of the continuingly ultra-sluggish stock market. The amount of annual investment in plant and equipment by Japanese companies is about 24.0 trillion yen. Of this amount, 4.2 trillion yen should be financed by the capital market under normal conditions. In order to accommodate this level of financing, the size of the market should be large enough to circulate 400 million shares a day. However, the current market handles only 200 million shares. If we structure our system on the premise of 200 million shares, we will not be able to fulfill our company's social functions. The system structure must be designed for 400 million shares, and the cost structure should be for 200 million shares."

He was a union official during the depression in the securities markets in 1965. In 1968 he served as a union leader.

"We promised each other that, if the company began to fire its employees, we would leave the company to take the responsibility for it." Now, as an executive, he manages the company. History must be running its cycle.

[Box, p 77]

Profile

Motoo Esaka. Born in Tokyo on 7 March 1935. Graduated from the Department of Agriculture, Tokyo University, in 1959. Joined Daiwa Securities in April 1959. Became the chief of the Subscription Department of the company, 1978; chief of the Underwriting Department, 1983; director, 1984; chief of the President's Office, 1985; managing director, 1987; executive director, 1990; vice president, 1991; and president in March 1992.

Family: A wife and two daughters. Hobbies: Music (classics); theater; the game of go (a fifth grader); tennis; golf for the past 35 years, an 18-handicap player. "I have been playing tennis with my friends for 20-some years. Having a drink after the tennis match is my way to get rid of stress." Motto: Begin anew a day even in a slight degree, make new every day, and start fresh again each day. [end box]

Fujitsu Urged To Stop Reliance on Growth

922A0361A Tokyo SHUKAN TOYO KEIZAI in Japanese 1 Aug 92 pp 140-143—FOR OFFICIAL USE ONLY

[Article by SHUKAN TOYO KEIZAI reporter Tetsuro Mori: "Fujitsu—'The Grand Combined Fleet' That Cannot Stop"]

[Text] Fujitsu, which has become the number-two ranked computer maker in the world, is making efforts at constitutional improvement in the sudden decline in business performance. However, it will eventually be compelled to extricate itself from "dependence on scale."

"Fujitsu gets a hold onto everything. It is being said that, 'if you want to talk about corporate acquisition, go to Fujitsu.' We are always hearing that acquisition deals are very numerous," says a department head at a certain foreign computer company.

After 1989, Fujitsu accelerated its "high growth" line. And for that purpose it conducted enormous investment. Fujitsu explains the reasons for the large amount of fund-raising, in excess of 100 billion yen last year, as being due to "the computer industry shifting its weight rapidly to software. That is why we are making this enormous investment. In several years our business performance will improve dramatically."

The Unyielding Spirit of a "Second Son"

XV

FOREIGN
BROADCAST
INFORMATION
SERVICE

Daily Report

East Asia

FBIS-EAS-92-209
Wednesday
28 October 1992

XVI

Daily Report
East Asia

FBIS-EAS-92-209 CONTENTS *28 October 1992*

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

INTER-ASIAN AFFAIRS

Japan Official on Asian Financial Markets Accord *[KYODO]* 1
ASEAN Asks Japan To Support Free Trade Area *[KYODO]* 1
ASEAN Hails Japan's Economic Cooperation Plan *[KYODO]* 1
ASEAN Ministers Meet With Japan's Watanabe *[Bangkok THE SUNDAY POST 25 Oct]* 2
Watanabe Talks With Indonesia, Thailand, Brunei *[KYODO]* 4
New Information Chief Views Mekong Committee *[Bangkok THE NATION 25 Oct]* 4
More ASEAN Action Urged in Forming APEC *[Kuala Lumpur International]* 5

NORTHEAST ASIA

Japan

GATT Delays Decision on Antidumping Appeal *[KYODO]* 6
'Final Decision' on Opening Rice Market Urged *[KYODO]* 6
Bush Said Encouraged by Economic Growth Figures *[KYODO]* 6
Rally Protests Futenma Helicopter Accident *[RYUKYU SHIMPO 28 Oct]* 7
U.S. Live-Fire Training Exercise Protested *[Naha TV]* 7
Normalization Talks With DPRK To Resume 5 Nov *[KYODO]* 7
Ministers To Attend No-Miyazawa Summit Talks *[KYODO]* 8
Imperial Couple Returns Home From PRC Visit *[KYODO]* 8
  Arrival, Welcoming Details Noted *[Tokyo TV]* 8
  Emperor Reconfirms Ties Importance *[KYODO]* 8
  Watanabe Praises PRC Visit *[KYODO]* 9
Ukraine Reportedly Seeks Closer Ties With Tokyo *[KYODO]* 9
Russia Agrees to Joint Illegal Fishing Study *[KYODO]* 9
Principles on Aid to Former Soviet States Viewed *[KYODO]* 9
112 Billion-Yen Loan Package Extended to India *[KYODO]* 10
Foreigners Overstay After International Meeting *[KYODO]* 10
Obuchi Declared Faction Boss; Strife Continues *[KYODO]* 11
  Ozawa Followers Split, Form Group *[KYODO]* 11
Lawmakers 'Pessimistic' Concerning Reform Plan *[Tokyo TV]* 12
Tokyo To Keep 'Close Watch' on Nation's Money *[KYODO]* 13
Slowdown Prompts Downward Revision of Budget *[KYODO]* 13

Mongolia

Business Leader Admits 'Heavy Blow' to Economy *[KYODO]* 13
Nation Prepares To Speed Up Foreign Investment *[KYODO]* 14

North Korea

Meeting Issues Decision on Suspending N-S Talks *[Pyongyang Radio]* 14
  Yun Ki-pok Addresses Meeting *[Pyongyang Radio]* 16
Foreign Ministry Denounces Team Spirit Decision *[KCNA]* 19
Military Hotline Depends on South's 'Attitude' *[Pyongyang Radio]* 20
U.S. Defense Secretary's Remarks Condemned *[KCNA]* 21
Next Round of Normalization Talks With Japan Set *[Pyongyang Radio]* 21
Charges of Attempt on No Tae-u in PRC Denied *[KCNA]* 21
Western Description of Investment Laws Berated *[KCNA]* 22

South Korea

Clinton Promises No Change in Relations *[YONHAP]* 23
First Deficit in Machine Trade With U.S. Noted *[YONHAP]* 23
China Now Major Agricultural Product Supplier *[THE KOREA HERALD 25 Oct]* 23
Yi Sang-ok Departs for CIS Aid Conference *[YONHAP]* 24
Vladivostok Consulate-General Begins Operations *[YONHAP]* 24
North Cancels Military Hotline Opening *[YONHAP]* 25
Former Official Reports on North Nuclear Capacity *[WOLGAN CHOSON Aug]* 25
North Korea's Power Hierarchy Reviewed *[CHOSON ILBO 22 Oct]* 27
N, S To Participate in Environmental Conference *[TONG-A ILBO 24 Oct]* 28
DLP Election Management Chief Interviewed *[Seoul TV]* 28
World Bank Says Economy 'Continues To Prosper' *[THE KOREA HERALD 27 Oct]* 30
Deputy PM Presents Plan To Aid Manufacturers *[THE KOREA HERALD 21 Oct]* 30

SOUTHEAST ASIA

Burma

Management Committee for National Convention Meets *[Rangoon Radio]* 32
Sein Win Meets International Figures at UN *[Radio DVOB]* 32
Rebel Groups Meet 21-22 Sep, Approve Constitution *[Radio DVOB]* 33
Released Detainee Mahn Nyunt Maung Interviewed *[London International]* 34
Energy Minister Returns From Japan, Indonesia *[Rangoon Radio]* 34

Brunei, Malaysia & Singapore

Malaysia

PRC Seeking To Participate in Power Project *[BERNAMA]* 34
South Korean Army Chief Begins Three-Day Visit *[BERNAMA]* 35
Tin Export Quota Helps Reduce Market Surplus *[BERNAMA]* 35

Cambodia

Further Alleged Khmer Rouge Violations Reported *[Phnom Penh Radio]* 35
    Spokesman on Siem Reap Violations *[Phnom Penh Radio]* 36
Hor Namhong Views Japanese-Thai Proposal *[Phnom Penh Radio]* 36
First Anniversary of Paris Accord Commemorated *[Phnom Penh Radio]* 36
Japanese Defense Agency Director Arrives 26 Oct *[AFP]* 37
    Flies to Southern Region *[KYODO]* 38
UNTAC Chief Praises Japanese Peacekeeping *[KYODO]* 38
Japanese Self-Defense Force Begins Road Repair *[KYODO]* 39
British TV Correspondents Interview Tie Banh *[Phnom Penh Radio]* 39
Australian Envoy 'Doubts' KR 'Will Disarm' *[Melbourne International]* 39
KR Said Poised To Launch Dry Season Offensive *[Phnom Penh Radio]* 39
'Teachers' Question Neutrality of Elections *[Radio VGNUFC]* 40

Laos

Deputy Premier Returns From Manila Meeting *[Vientiane Radio]* 40
Somlat Chanthamat Guides Provincial Election Work *[Vientiane Radio]* 41

Philippines

Communists Demand Formal Belligerency Status *[PHILIPPINE DAILY INQUIRER 25 Oct]* 41
    Propose 1-Year Timetable for Talks *[PHILIPPINE DAILY INQUIRER 24 Oct]* 42
Congressmen Begin Peace Talks With RAM Rebels *[Quezon City TV]* 42
Executive Secretary Welcomes ICO Aid Offer *[Manila Radio]* 43
Guidelines Needed on Muslim Leader's Return *[Quezon City Radio]* 43
Ramos Approves Agenda for Communist Peace Talks *[AFP]* 43

Muslims, Sympathizers Surrender in Maguindanao *[THE CHRONICLE 26 Oct]* 44
MNLF Leaders Given Passes To Urge Surrender *[Manila Radio]* 44
Raul Imperial Named New National Police Chief *[Manila Radio]* 45
New Power Corporation Chairman Appointed *[Manila Radio]* 45
Armed Forces Chief Holds Command Conference *[Manila Radio]* 45
Clashes Between Government, Rebel Forces Decline *[Quezon City TV]* 46
Government Confirms Generals, Secretaries in Posts *[Quezon City Radio]* 46
Vice President Urges Halt to Timber Sales *[Manila Radio]* 46

Thailand

Cabinet Deliberates National Budget for 1993 *[Bangkok TV]* 46
    Budget Approved; Includes Deficit *[BANGKOK POST 28 Oct]* 47
Decentralization Policy Helps Provinces Develop *[THE NATION 28 Oct]* 47
Defense Council To Cut Number of Top Officers *[THE NATION 28 Oct]* 48
Ministry Wants Insurrection, Riot Laws Amended *[BANGKOK POST 27 Oct]* 49
    Editorial on Changes to Law *[BANGKOK POST 28 Oct]* 50
Deputy Minister's Logging Deals May Affect Trade *[THE NATION 23 Oct]* 51
Debate Over Burmese Logging Deals Viewed *[THE NATION 24 Oct]* 51
Prasong To Defend Burma Ties at Regional Meet *[THE NATION 28 Oct]* 52
Karens Flee Fighting in Burma to Mae Ramat *[BANGKOK POST 26 Oct]* 54

Vietnam

U.S. Political Ties, Singapore Ties Viewed *[Hanoi Radio]* 54
Party Officials To Visit ASEAN States *[Bangkok BANGKOK POST 20 Oct]* 55
Lao Army Political Department Team Visits *[VNA]* 56
    Meets Do Muoi *[VNA]* 56
Financial Delegation Visits Laos 15-22 Oct *[VNA]* 56
NHAN DAN Delegation Visits Laos 15-22 Oct *[VNA]* 56
Population Reaches Over 70 million *[VNA]* 56
Vo Van Kiet Meets Ho Chi Minh City Voters *[Hanoi Radio]* 57
Doan Khue Briefs Voters on Assembly Results *[Hanoi Radio]* 57
State Bank Reduces Bank Interest Rates *[Hanoi Radio]* 57
Rice Export Breaks 13-Year Record *[VNA]* 57
Rice Crop Harvest, Planting Figures Cited *[Hanoi Radio]* 58

AUSTRALASIA

Australia

Farmers Call For Action Against France on Trade *[AFP]* 59
3d Quarter Inflation Rate Near 30-Year Low *[Melbourne International]* 59

Fiji

South Pacific States Sign Fishery Agreement *[Melbourne International]* 60

Japan Official on Asian Financial Markets Accord

OW2110090792 Tokyo KYODO in English 0758 GMT 21 Oct 92

[Text] Singapore, Oct. 21 KYODO—Financial officials from Japan, Australia, Hong Kong and Singapore have agreed to cooperate more closely and exchange information about their financial markets by holding twice yearly informal forums, officials said Wednesday.

Senior officials of the finance ministries or central banks of the four discussed foreign exchange trading and financial regulations at the second meeting of their informal forum on Tuesday, a spokesman at the Monetary Authority of Singapore said.

The first meeting was held in Hong Kong during the annual Asian Development Bank meeting in May this year.

"The meeting basically allowed representatives from the various countries to establish direct dialogue with each other as they become increasingly interrelated," the spokesman said.

He said the one-day meeting also provided the participants with the opportunity to familiarize themselves with financial markets and regulations, as well as the general economic development in the four markets.

The participants exchanged views about customs and practices in their respective foreign exchange markets and their policies on subsidiaries and branches of foreign banks, he said.

Japan's representative at the meeting, Kosuke Nakahira, director general of the Finance Ministry's International Finance Bureau, told Japanese reporters in a briefing Tuesday night that the participants agreed to boost cooperation and exchange more information of their financial markets.

He also said that he explained the Japanese Government's latest moves to boost Japan's flagging economy and financial sector to the other officials during the meeting.

ASEAN Asks Japan To Support Free Trade Area

OW2410041992 Tokyo KYODO in English 0341 GMT 24 Oct 92

[Text] Manila, Oct. 24 KYODO—Economic ministers from countries in the Association of Southeast Asian Nations (ASEAN) called Saturday for Japan to help strengthen the ASEAN Free Trade Area (AFTA) due to go into effect in January.

Rizalino Navarro, trade and industry secretary of the Philippines, made the request during the first joint meeting between ASEAN economic ministers and Kozo Watanabe, Japan's minister for international trade and industry.

"Allow me to invite Japan's support to strengthen AFTA. We also wish to bring to the attention of your private sector the opportunities AFTA will provide in possible joint ventures and partnerships," Navarro said in a statement opening the meeting.

At a separate two-day meeting that ended Friday, the ASEAN ministers announced an agreement on all key measures intended to ensure smooth implementation of AFTA starting next year.

Under an accelerated program, ASEAN aims to carry out a 5 to 10 percent tariff reductions on selected products grouped in 15 sectors over 7-10 years instead of an originally planned 15-year period.

The 15 sectors are vegetable oils, cement, chemicals, pharmaceuticals, fertilizers, plastics, rubber products, leather and leather products, pulp, textile and textile articles, ceramic and glass products, gems and jewelry, copper cathodes, electronics, and wooden and rattan furniture.

In his response, Watanabe described AFTA as an "extremely important, positive initiative, providing a practical model of free and open regional development to the world."

"It (AFTA) holds the key to complementing and expanding global initiatives such as the Uruguay Round, particularly together with ASEAN efforts to reduce and remove its external barriers," Watanabe said, referring to the ongoing round of multilateral trade talks under the general agreement on tariffs and trade (GATT).

But Watanabe also pointed out that ASEAN economies "have yet to gain adequate strength to pursue both competition and cooperation on the global business arena without resorting to tariff or nontariff barriers."

Watanabe said he will present "several specific proposals" to his ASEAN counterparts to help the six-nation bloc "realize an industrial structure desirable from the perspective of both the national economy and the regional economy in such sectors as production, distribution and consumption."

The Japanese minister also said the meeting is an opportunity for ASEAN and Japan to issue a call against the "temptations of protectionism" and demonstrate "our seriousness in preserving and expanding the free trade system."

The one-day meeting between Japanese and ASEAN ministers was to end with a bilateral discussion.

ASEAN Hails Japan's Economic Cooperation Plan

OW2410124992 Tokyo KYODO in English 1007 GMT 24 Oct 92

[Text] Manila, Oct. 24 KYODO—Economic ministers of the Association of Southeast Asian Nations (ASEAN) on Saturday [24 October] expressed satisfaction with the results of their dialogue with Japan, especially with a six-point package aimed at furthering economic cooperation with the regional bloc.

Japan's Minister of International Trade and Industry Kozo Watanabe presented the proposals during the first meeting between Japanese and ASEAN economic ministers.

The proposals include the holding in Japan of a seminar of the ASEAN free trade area, joint research of future prospects of industries in the Asia-Pacific region, and cooperation with regard to intellectual property rights, industrial standards and quality control.

Japan also offered to back up development of supporting industries in the region, plus human resource development—particularly of engineers and management personnel—and the application of the green aid plan to ASEAN countries.

"Since my ASEAN colleagues welcomed these proposals...it is my wish to steadily implement them," Watanabe said.

Watanabe said before the start of the meeting that the package of proposals is intended to allow ASEAN to realize an industrial structure that could compete in the global business arena without resorting to tariff or non-tariff barriers.

"Just as the ripples created by a single stone thrown into a pond will eventually grow into a large circle, it is my sincere hope that my concrete proposals today will, in your hands, bring big results in the future," he said in his opening statement.

Malaysian Trade Minister Rafidah Aziz described the dialogue as a "very big step forward" in the economic relationships between ASEAN and Japan.

She said such talks will provide the "avenues" for ASEAN and Japan to find mutually beneficial cooperation strategies.

"ASEAN did not come to this dialogue with a shopping list...neither did we expect Japan to come here with offers of assistance and aid," she added.

Rafidah said the discussions also touched on "administrative problems" which restrict access of ASEAN products into Japan, pointing out that ASEAN had asked Japan to remove "these unnecessary restrictions."

Indonesia's Trade Minister Arifin M. Siregar said ASEAN had noted a decline of exports to Japan enjoying preferential status in the past two years. Such exports amounted to only 1.8 billion dollars in 1991, he said.

He also pointed out that in the same year, Japan enjoyed a 6 billion dollar surplus in its trade with ASEAN, a trade which totalled about 70 billion dollars.

Siregar said Japan had agreed to look into the generalized system of preferences (GSP) ceilings and "find ways and means of improving the GSP treatment to ASEAN and probably other countries as well."

The ASEAN ministers, however, expressed their appreciation for Tokyo's extension of the GSP privilege until 2001 and at the same time lauded its efforts to further liberalize quota ceilings for certain products.

The economic ministers agreed to meet next year in Singapore where they are expected to decide whether to formalize such meetings as an annual event.

ASEAN Ministers Meet With Japan's Watanabe

BK2510020492 Bangkok THE SUNDAY POST in English 25 Oct 92 p 4

[By Ratchaphon Laowanit and Saritdet Marukhathat in Manila]

[Text] In an effort to correct a high trade deficit with Japan, the six ASEAN countries have asked Tokyo to give their products easier access to the Japanese market and proposed a four-point plan for increasing joint investment and industrial cooperation.

The request was made yesterday in Manila at the first-ever bilateral meeting between ASEAN economic ministers and Kozo Watanabe, the Japanese minister in charge of the Ministry of International Trade and Industry (MITI).

ASEAN also urged Japan to provide comprehensive details of its plan to assist developing countries tackle industrial pollution and other environmental issues, a plan known as "Green Aid" and announced in August last year.

Consultations on economic issues between the two sides could develop into a regular event.

Singaporean Deputy Prime Minister Lee Hsien Loong, who will host and chair next year's ASEAN economic ministers' meeting said his country had invited the MITI minister to attend. After that some form of regular dialogue could be established, he added.

At least some ASEAN ministers saw yesterday's meeting as an opportunity for Japan to focus more attention on its Asian neighbours and less on the United States and Europe.

Malaysian International Trade and Industry Minister Rafidah Aziz told a press conference that one of her country's objectives was to tell the Japanese not to look across the Atlantic and Pacific Oceans.

"Look also at the countries around with which you share a common destiny," she said, addressing the MITI minister.

Malaysia is particularly keen to develop ties within East Asia under its proposed East Asia Economic Caucus.

Mr Watanabe described ASEAN as a priority area for Japanese policy and repeatedly described it as the most dynamic region in the world with the fastest economic growth.

The request for greater access to the Japanese market is a response to an estimated $6 billion annual deficit that ASEAN suffers in its trade with Japan.

Indonesian Trade Minister Arifin Siregar told a joint ASEAN-Japanese press conference after yesterday's talks that last year Japan exported $38 billion to ASEAN while ASEAN exports to Japan were only $32 billion.

The ASEAN request for Japan to import more goods included a call for the Japanese to increase special import duty exemptions granted to developing countries under a programme known as the Generalised System of Preferences.

Although the Japanese government announced an extension of the preferences until the year 2001, their scope was too limited, with too few products of ASEAN interest included and too restrictive maximum trade volumes allowed for duty exemption, Dr Arifin said.

He said only $1.8 billion of ASEAN products gained entry into Japan under the preferential scheme.

The Japanese were willing to consider ASEAN's request. Mr Watanabe told the ASEAN ministers that his government had recently injected Y[yen]10.7 trillion into the economy to expand demand on the domestic market.

He said ASEAN should take advantage of this by developing the region to become a manufacturing base to export goods to Japan.

The Japanese MITI minister also urged ASEAN to use new Japanese facilities such as the Foreign Access Zone set up so that foreign companies can establish distribution facilities near ports, and the Business Support Centre for promoting imports.

He also urged ASEAN to encourage its private sector to use the ASEAN Promotion Centre in Japan and the many other trade promotion programmes of the Japan External Trade Organisation.

In a joint press statement issued yesterday the Japanese minister was quoted as telling ASEAN ministers that Japanese investment in ASEAN would increase as a result of the creation of the ASEAN Free Trade Area [AFTA]. He said the ASEAN market would become more attractive, encouraging an expansion of trade and investment.

The MITI minister proposed organising seminars on AFTA in Japan next year to promote better understanding of AFTA among the Japanese private sector.

Philippine Trade and Industry Secretary Rizalino Navarro, the current chairman of the ASEAN economic ministers, said ASEAN also asked Japan to organise a meeting of ASEAN and Japanese experts to review the use of the ASEAN-Japan Development Fund, a fund set up to promote private sector investment.

ASEAN also proposed the creation of a body to improve intellectual property protection and to assist the establishment of a system of industrial standards and quality control, a move considered necessary in order to improve technology transfer to ASEAN.

Mr Navarro told reporters ASEAN hoped that the transfers would be 100% technology, implying that the ASEAN did not want merely to buy hi-tech equipment.

Mr Navarro added that human resources development would help ASEAN absorb new technology.

ASEAN also urged Japan to help develop small-and medium-scale industry.

Japan has budgeted $20.8 million for its Green Aid plan in fiscal 1992, but it has not yet announced how much money it will give to each developing country.

So far it has only sent some experts to start preparatory studies in some countries such as Thailand. Also in line for expert study are China and the Philippines.

Malaysian International Trade and Industry Minister Rafidah Aziz said details of the plan will be further discussed by both sides under a policy dialogue that Japan has proposed.

She added that tropical forest conservation is likely to be a major part of the Green Aid Programme because forestry management has to be improved in order not to cause environmental degradation.

Mr Watanabe said the Japanese government will provide both software and hardware for the programme as requested by ASEAN.

Other topics discussed by the two sides included their disappointment at the deadlock in world trade talks, an expression of hope that the North American Free Trade Agreement will not lead to the creation of trade bloc, and their commitment to the 15-nation Asia-Pacific Economic Cooperation (APEC) group.

Thai Deputy Prime Minister Suphachai Phanitchphak, referring to the deadlocked world trade talks, said the world "is coming to its wit's end on how to solve trade problems". [Bangkok THE NATION in English on 25 Oct, in a similar report, adds: "Thai Deputy Prime Minister Suphachai Phanitchphak said 'it is heartening that Japan has taken up a leading role to persuade the negotiation parties to reach a fruitful conclusion of the Uruguay Round.'"]

Watanabe Talks With Indonesia, Thailand, Brunei

OW2410131492 Tokyo KYODO in English 1056 GMT 24 Oct 92

[Text] Manila, Oct. 24 KYODO—Indonesia, Thailand and Brunei held separate meetings with Japanese Minister for International Trade and Industry Kozo Watanabe on Saturday [24 October] to seek assistance for economic development.

A spokeman for the Japanese delegation accompanying Watanabe to a multilateral meeting here with ASEAN economic ministers, said that in a bilateral meeting Indonesian Trade Minister Arifin Siregar had asked his Japanese counterpart to expand the list of products enjoying privileges under its generalized system of preferences (GSP).

Siregar pointed out to Watanabe that although Japan is Indonesia's top trading partner, most of its exports are oil-related. The Indonesian trade minister asked Japan's help in developing non-oil related products, the spokesman said.

In a separate meeting with Watanabe, Thailand's Deputy Prime Minister Suphachai Panitchaphak focused on Bangkok's plan to disperse its industries to the provinces.

Suphachai told Watanabe that development in the past two years have been concentrated in Bangkok and this has led to a neglect of the provinces.

Suphachai asked Japan's assistance in training technical experts for deployment in the countryside as well as for assistance in developing the processing of agricultural products, as well as for the metal, petroleum, chemical and electronics industries.

In his meeting, Brunei's Abdul Rahman expressed appreciation for the visit of a Japanese business mission last month.

Rahman also asked Japan's assistance in developing non-oil-related industries to ease his country's dependence on oil revenues.

The Japanese delegation spokesman did not say whether Watanabe made any commitments in connection with the various requests.

Bilateral meetings with the Philippines, Malaysia, and Singapore were cancelled.

New Information Chief Views Mekong Committee

BK2510042492 Bangkok THE NATION in English 25 Oct 92 p A2

[Text] After one year of bickering over "technicalities", the four states sharing the Mekong river have agreed to put aside their differences and start anew with the restructuring of the 35 year old Mekong Committee while letting work move ahead uninterrupted.

The agreement was reached earlier this month in Hong Kong at the informal meeting of the committee's original members—Thailand, Laos, Cambodia and Vietnam which was sponsored by the UN Development Programme (UNDP).

The UN agency is responsible for acquiring financial materials for the Mekong Committee which was formed in 1957.

In an interview earlier this week, the new chief of the Information Office of the Bangkok-based Mekong Committee Juhlim Delgt described as a "great breakthrough" the agreement which he said would see two tracks of negotiations involved with the committee's affairs taking place simultaneously.

Delgt said the new round of talks between the four riparian states to discuss the restructuring is likely to take place sometime in December after the convening of an UNDP-sponsored pledging conference between the states and donor countries to approve the 1993 Mekong works programme.

According to Delgt, the four parties agreed to pursue the committee's operational work within the framework of the 1978 Interim Mekong Committee (IMC), which was formed by three of the members (after Cambodia quit the original committee) plus the Supreme National Council (SNC) which represents Cambodia during the transitional period until an elected government is formed.

Delgt said they also unanimously agreed to base the consideration and implementation of their works programme on the rules of procedures of IMC.

In parallel to such framework, he said the four downstream nations will begin discussing a Thai proposal on restructuring of the committee with regard to the future shape of cooperation.

"It is proved to be correct that it's time to modernize the old committee. But only until recently have they come to realize how best to do that," said the official who also attended the Hong Kong meeting.

"The donor countries are upbeat about this outcome," he said.

According to Delgt, the four member states also discussed preparation for the committee's works programme for 1993, which is estimated to cost more than US 170 million (Bt[baht]4.25 billion).

Delgt said the programme will be tendered for financial approval at the meeting of the four members and the donor countries in Kuala Lumpur between Dec 16-18.

The information chief said they agreed to adopt a more realistic approach and that future cooperation would involve basin-wide development projects in order to attract the financial support.

He said it was also recommended that Cambodia be given extra attention. Of the 104 projects estimated over US$150 million in last year's Mekong works programme, Cambodia got the largest chunk.

He said they also agreed to embark on more development of the Mekong's tributaries rather than the mainstream projects which tend to cause extensive damage to ecological systems of the Mekong.

"We cannot get the World Bank and donors if the projects are not ecologically sound," said Delgt.

The Thai-Laotian hydro-power dam project on the Pa Mong across the mainstream of the river to produce electricity for Thailand was among the most controversial of the Mekong dam projects.

Several studies showed that building the dam would cause extensive damage to the ecology and cause the evacuation of villagers living on both sides of the river where the dam is to be sited.

The Mekong Committee was about to be reactivated in December last year with the re-admission of the SNC to represent Cambodia on the committee. But it was suspended over differences between Thailand and Vietnam on how Cambodia should re-enter.

Thailand wanted the return of Cambodia under the framework of IMC plus SNC so that work projects, including its much-needed Northeastern irrigation development projects at Kong Chi Moon that have progressed under IMC, can continue uninterrupted. Vietnam contended that the return of Cambodia automatically reactivated the original body.

The main bone of contention, however, involved which framework would be beneficial to all members.

Thailand preferred the IMC which has flexible rules and thus is practical at a time when the member states, which are mostly developing states, need quick development.

Vietnam preferred the original committee which has strict rules on the exploitation of waters in the mainstream that could guarantee its interest as the lowest of the basin states.

Several rounds of talks since late last year had failed to bridge the gap, and spoiled the spirit of cooperation. This prompted the committee's two important meetings last December and in March this year to be rescheduled.

Thailand finally renewed its effort by proposing the wholesale restructuring of the committee to sustain its viability in the post-Cold War era.

Under the proposal, the committee will become more region-focussed and extend the areas of cooperation to cover navigation along the Mekong river. The new body will include China and Burma, which are the only two upstream nations.

Hanoi resisted and said that any change to the Mekong Committee should be discussed after the formal reactivation of the committee in its orginal form.

More ASEAN Action Urged in Forming APEC

BK2510085492 Kuala Lumpur Voice of Malaysia in English 0800 GMT 25 Oct 92

[Excerpt] Malaysian officials have urged ASEAN to take more initiative in the formation of the Asia Pacific Economic Council, APEC, or risk being overshadowed.

The Malaysian delegation attending the ASEAN economic ministers meeting in Manila asked other ASEAN nations to take a similar stand in a (?presentation) paper released in the Philippine capital. The Malaysian paper noted that APEC is undergoing a wider transformation from a loose concerted (?process) into an institution, and called on ASEAN to participate more actively in APEC. [passage omitted.

Japan

GATT Delays Decision on Antidumping Appeal

OW2810011692 Tokyo KYODO in English 0025 GMT 28 Oct 92

[Text] Geneva, Oct. 28 KYODO—An international trade body postponed until Friday its decision on Japan's appeal over the imposition of antidumping duties by the European Community (EC) on audiocassette imports from Japan, Japanese officials said Tuesday.

The Japanese appeal, filed with the committee on antidumping practices of the General Agreement on Tariffs and Trade (GATT), said the duties were unreasonably high and asked GATT to set up a special subcommittee to settle the dispute.

The U.S., Canada, Singapore, and Australia supported the Japanese stance, but opposition from Brussels resulted in the delayed decision by the GATT committee, the officials said.

Arguing that Japanese audiocassettes are sold in Europe at unfairly low prices, the EC commission has slapped antidumping duties of 15 percent to 25 percent on those imports into the community since November 1990.

Since July 9 this year, Japan and the EC have been negotiating on the duties through GATT's arbitration.

'Final Decision' on Opening Rice Market Urged

OW2810024792 Tokyo KYODO in English 0216 GMT 28 Oct 92

[Text] Washington, Oct. 27 KYODO—Japan should make a final decision on opening its rice market when the United States and the European Community (EC) settle their negotiations on farm trade, a Japanese diplomat said Tuesday.

Masatoshi Toriihara, minister at the Japanese Embassy in Washington, said the Japanese Government and the Japanese people "will have to make up their minds" and make a final decision on pending agricultural problems of the Uruguay Round of global trade talks.

He made the remarks in a speech titled "International Trade at a Crossroads" at a lecture meeting sponsored by the International Monetary Fund (IMF).

In related remarks, Geza Feketekuty, senior policy adviser at the office of the U.S. Trade representative, denied reports that the U.S. presidential election campaign is hampering progress in the U.S.-EC farm trade talks.

Feketekuty, who was present at the lecture meeting, also predicted that there will be problems if a breakthrough is not achieved in the talks before the presidential election November 3 and if President George Bush is not reelected.

He did not specify the nature of the problems.

Bush Said Encouraged by Economic Growth Figures

OW2810020592 Tokyo KYODO in English 0131 GMT 28 Oct 92

[Text] Washington, Oct. 27 KYODO—President George Bush took heart on Tuesday from a strong third-quarter showing in the U.S. economy, holding it out as a ray of hope for his embattled reelection bid.

Bush, who trails Democratic candidate Bill Clinton by some 10 percentage points in opinion polls, was upbeat at each campaign stop he made Tuesday after the issuing of data showing that gross domestic product (GDP) grew at an annualized rate of 2.7 percent in the July-September quarter.

The figure, released by the Commerce Department earlier Tuesday, was almost twice the 1.5 percent annual growth rate posted in the previous quarter.

"You know, I was very pleased today that the figures came out refuting the Clinton/Gore claim of how bad everything is," Bush told a cheering crowd during a campaign stop in Kentucky, referring to Clinton's running mate Senator Al Gore.

"We have now six straight quarters of growth in the United States, and yet the Democrats keep telling us that everything is going to hell," Bush said at another campaign stop in Iowa.

In Washington, senior administration officials joined Bush in extolling the nation's economic health, which has been the main target of attack by Bush's opponents in the presidential race.

Commerce Secretary Barbara Franklin said, "The United States economy is now outperforming much of the industrialized world in GDP growth, employment levels, industrial production, and retail sales."

Franklin said the 2.7 percent growth in the third quarter, following five consecutive quarters of moderate economic expansion, shows that the U.S. economy is "on the right track."

Despite the apparent upturn in the economy, it is unclear whether, with only one week to go before election day, Bush can take advantage of the data to revive his campaign.

A daily USA TODAY/CNN tracking poll published Tuesday shows Clinton remains ahead of Bush 42 percent to 31 percent, and independent Ross Perot behind with 19 percent.

The poll also shows that 33 percent of the respondents believe Clinton can best handle the economy, with Bush favored by 23 percent.

Rally Protests Futenma Helicopter Accident

OW2810061492 Naha RYUKYU SHIMPO in Japanese 28 Oct 92 Morning Edition p 1

[Text] Ginowan—On the afternoon of 27 October residents of Ginowan staged an "emergency rally" in front of the Ginowan City Hall to protest the 20 October accident involving a CH-46 helicopter at Futenma Air Station; the rally, held under the auspices of the Rally Executive Committee, was participated in by about 500 people from residential areas near the air station as well as various organizations in the city. The rally adopted a resolution protesting the accident and demanding an early return of the base. The resolution also said: "In order to protect our lives and properties, we angrily protest the recent helicopter accident." Then rally participants marched on Futenma Air Station's Nodake Gate. Facing the station, they raise their fists in protest of the accident. In this way the participants, who have been plagued daily by aircraft noise and fear of accidents, vented their anger at the air station.

The rally was held under slogans demanding: 1) a quick disclosure of the causes of the accident; 2) the stop of dangerous nighttime flights over the air station; and 3) an early return of Futenma Air Station.

Speaking at the rally Seiken Tobaru, mayor of Ginowan and chairman of the Rally Executive Committee, said: "Although people say accidents should not occur, they actually do. They will occur so long as the military base continues to exist in Ginowan. The only way to remove the citizens' apprehensions and have them live free of their fears is to have the military base withdrawn. Public opinion moves politics. Let us take advantage of the accident and pressure the Governments of Japan and the United States to change their policy on Okinawa's military bases by fomenting Okinawan public opinion against the bases." In this way, the mayor harshly protested the accident.

Speaking against the accident at the rally were Harunobu Nakamura, speaker of the Ginowan Municipal Assembly; Toshio Miyazato, president of the Association of City Elderly Citizen Clubs; Yoshiaki Miyagi, president of the Association of the City PTA; Kenji Maezato, a sixth grade student at the Second Futenma Elementary School; and Masako Tomihama, president of the Women's Association in Ginowan.

While marching on Nodake Gate, rally participants carried banners which said "Human Life Is Priceless," "Protect Children's Lives," and "Create a Safe Climate for Schools." The rally participants also carried a long English-written banner which said "All Citizens in Ginowan Reserve the Right to Lead Their Lives Safely and Calmly." In front of the air station, Mayor Tobaru condemned the accident anew, and all the participants repeated their rallying cry of an "early return of the base."

Mayor Tobaru will hand the resolution adopted at the rally to the U.S. Consulate General and the Naha Defense Facilities Administration Bureau to protest the accident.

U.S. Live-Fire Training Exercise Protested

OW2810083192 Naha NHK Television in Japanese 0315 GMT 28 Oct 92

[From "NHK News" program]

[Text] [Video shows a gun position and an impact area; subtitle reads: "Artillery exercise today at Camp Hansen training ground"] The U.S. Marine Corps on Okinawa began a three-day live-fire training exercise today by closing Highway 104 in Kin-cho. Similar training also was conducted last week. Today's training began with firing ammunition at 0803 and is continuing with intermittent firing. This time, six gun platforms are being used to occasionally fire live ammunition, so the exercise is a furious one. Also, each time the live ammunition hits the impact areas on Mt. Onna—whose surface has been damaged because of the repeated training, clouds of dust rise high into the air with roaring sounds.

[Video shows a group of protestors at a rally] Reformist groups staged protest rallies this morning in front of Camp Hansen's gate and on a hill in Igei district, which is near the impact areas. They strongly demanded an immediate halt of the exercise and the closing down of the base.

[Video shows Kin-cho assembly in session] Meanwhile, at an extraordinary meeting, Kin-cho assembly members unanimously adopted a decision and protest letters calling for suspension of the live-fire training and closing down of the training area. In the letters, the town assembly strongly blamed U.S. forces for conducting helicopter night flight exercises and causing a recent forest fire in the Camp Hansen training area.

Normalization Talks With DPRK To Resume 5 Nov

OW2710233592 Tokyo KYODO in English 2304 GMT 27 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Japan and North Korea will hold their eighth round of normalization talks on November 5 and 6 in Beijing, the Foreign Ministry announced Wednesday.

The talks, which follow those held in Beijing in mid-May, are seen here as especially significant as they represent the first meeting between the two sides since South Korea established diplomatic ties with Pyongyang's long-time ally China.

The meetings are scheduled one week after anticipated talks in Tokyo between Japanese and South Korean ministers and just prior to South Korean President No Tae-u's expected meeting with Prime Minister Kiichi Miyazawa in Kyoto on November 8.

Tokyo has pledged to closely consult with Seoul in its efforts to improve ties with Pyongyang.

Talks so far have stalled over Tokyo's demands that Pyongyang move to address concerns over the communist country's suspected nuclear weapons program and the latter's call on Japan to pay compensation for its 1910-1945 colonial rule over the Korean peninsula.

North Korea's official media has kept up a steady stream of critical reports on Japan, alleging the country is aspiring to become a nuclear power and accusing it of not apologizing for past wartime atrocities against Koreans.

Ministers To Attend No-Miyazawa Summit Talks

OW2810025292 Tokyo KYODO in English 0223 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Japanese Foreign Minister Michio Watanabe and his South Korean counterpart Yi Sang-ok will join Prime Minister Kiichi Miyazawa and President No Tae-u in their summit meeting set for November 8 in Kyoto, Japanese Government sources said Wednesday.

The two foreign ministers are expected to exchange views while attending the meeting between the two leaders and during a luncheon that will follow, the sources said.

There is unlikely to be a separate ministerial meeting between Watanabe and Yi as they are scheduled to meet this week during an international conference on aid to former Soviet republics slated for Thursday and Friday in Tokyo, they said.

No is scheduled to leave Seoul in the morning of November 8, fly to Osaka and travel from there to Kyoto, where he will discuss the international situation with Miyazawa.

The South Korean president will return home the same day.

Imperial Couple Returns Home From PRC Visit

OW2810085092 Tokyo KYODO in English 0831 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Emperor Akihito and Empress Michiko returned home Wednesday [28 October] after a six-day trip to China.

A Japan Airlines flight with the imperial couple and their entourage aboard landed at Haneda Airport in southern Tokyo shortly after 5 P.M. Wednesday.

During their stay in China, the imperial couple visited Beijing, Xian, and Shanghai.

Last Friday, the 58-year-old emperor said at a state banquet he "deeply deplores" the "great sufferings" inflicted by Japan on Chinese people before and during World War II.

Arrival, Welcoming Details Noted

OW2810130092 Tokyo NHK General Television Network in Japanese 1000 GMT 28 Oct 92

[From "NHK News" program]

[Text] The emperor and the empress today completed a six-day friendship tour of China and arrived back in Japan via a special plane this evening. It was their first trip to China.

The plane carrying the imperial couple arrived in Haneda shortly before 1730, as scheduled. They were welcomed at the airport by the crown prince, other members of the imperial family, and Prime Minister Kiichi Miyazawa. The imperial couple greeted them with a smile.

At the special dignitaries' room in the airport, the emperor and the empress were formally welcomed by the prime minister, and the emperor gave a speech in response.

The emperor said the couple received a warm welcome from many people in the cities they visited. He said he was happy to see them, because it represented proof of the friendly feelings of the Chinese people toward the Japanese. He said he renewed his understanding of how important it is to the people of the two nations, which are geographically close and have a long history of exchanges, to further promote their mutual understanding and friendship in the future.

The emperor and the empress departed by car for their residence, Akasaka Palace, shortly after 1800.

Emperor Reconfirms Ties Importance

OW2810105992 Tokyo KYODO in English 1042 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Emperor Akihito said Wednesday [28 October] his trip to China reconfirmed the importance of close dialogue with the Chinese.

He said upon arrival in Tokyo from Shanghai that China's hospitality accorded to him and his wife, Empress Michiko, symbolizes the friendship between the two countries.

Prime Minister Kiichi Miyazawa and other government officials greeted the imperial couple at Haneda Airport after their six-day trip to Beijing, Xian, and Shanghai.

The 58-year-old emperor said at a state banquet in Beijing last Friday he "deeply deplores" the "great sufferings" inflicted by Japan on Chinese people before and during World War II.

Watanabe Praises PRC Visit

OW2810092992 Tokyo KYODO in English 0905 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Foreign Minister Michio Watanabe, the top official in the imperial retinue during the just concluded journey to China by Emperor Akihito and Empress Michiko, hailed Wednesday [28 October] the visit as deepening friendship and mutual understanding.

Watanabe called the trip "deeply significant" as he echoed the theme of Japan-China amity throughout notes of his impressions of the visit given to KYODO News Service.

He also praised the trip as a chance for the Chinese to understand the emperor's role under Japan's Constitution, in which he is the symbol of the state, and the efforts of Japan as a peaceful nation.

Watanabe noted that it was the first time a Japanese monarch had ever visited China in the long history of the two East Asian neighbors and reported that the open-hearted feeling of the emperor and empress for friendship and understanding between the two nations was widely accepted by the Chinese people.

The foreign minister, however, skipped mention of the demands of some Chinese for an imperial apology for Japan's wartime atrocities.

Watanabe chose to focus on the positive aspects of the centuries old relationship, saying Japan imported Chinese culture through envoys dispatched to China during the Sui and Tang dynasties.

He added Emperor Akihito expressed his deep respect for traditional Chinese culture at every stop during the journey.

In return, Chinese Communist Party leader Jiang Zemin noted that a number of people from China go to study in Japan and cultural exchanges have been deepening.

During a visit to Chinese President Yang Shangkun, the emperor noted the need for a basic friendship of the people to promote good relations between nations, Watanabe reported.

The foreign minister was impressed by the strong response of the Chinese people everywhere the emperor visited, including Shanghai and Xian, and said that the true character of the emperor and empress were understood by the Chinese people.

"This more than anything was the most significant aspect of the trip to China," Watanabe wrote.

Ukraine Reportedly Seeks Closer Ties With Tokyo

OW2810092192 Tokyo KYODO in English 0849 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Ukraine Deputy Prime Minister Oleg Slepichev [name as received] told Prime Minister Kiichi Miyazawa on Wednesday [28 October] his country puts a high priority on developing relations with Japan.

Slepichev called on Miyazawa at his official residence and asked Japan to dispatch a government mission to Ukraine to seek ways to cooperate in implementing economic reforms, a Foreign Ministry official said.

Slepichev also suggested exchanging foreign ministerial visits and making efforts to arrange a summit meeting between the two countries' leaders, the official said.

Miyazawa replied that among the states of the former Soviet Union, Ukraine has a promising industrial base and enjoys plentiful natural resources.

"I think there is a high possibility for future development. Japan will do what it can," to assist Ukraine, Miyazawa was quoted as saying.

Slepichev arrived earlier in the day to attend a two-day international aid conference for 12 former Soviet republics opening Thursday.

Russia Agrees to Joint Illegal Fishing Study

OW2810154092 Tokyo KYODO in English 1347 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Japan and Russia agreed Thursday [as received] to hold a three-day meeting of fishery experts from Tuesday in Nakhodka, in the Russian far east, to discuss measures to prevent illegal fishing, Japanese Government officials said.

Russia is likely to urge stricter monitoring by Japan while seeking an explanation of recent illegal salmon fishing in the northern Pacific by several Japanese boats from Hokkaido, Japanese fishery sources said.

Russia's concern about illegal fishing is such that a top-ranking Russian fishery official asked for progress reports on Japanese investigations during his visit to the Fisheries Agency on Tuesday, the sources said.

Principles on Aid to Former Soviet States Viewed

OW2810134492 Tokyo KYODO in English 1311 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Japan on Friday [as received] linked its future aid to former Soviet republics to rapid economic reforms, further democratization, self-restraint in building up military forces, and foreign policies based on "law and justice."

The conditions were outlined in a paper on Japan's "basic policy" on assistance to the republics, released by the Foreign Ministry ahead of a two-day international conference starting Thursday [29 October] in Tokyo on giving them humanitarian and technical aid.

The paper said Japan would monitor whether republics are shifting rapidly to market economic systems, and if aid is provided in the absence of such efforts, "the result could be the creation of aid- dependent economic structures, with no way out in sight."

It said the republics should promote political reforms to facilitate greater freedom and democracy and "implement fundamental policy changes that prove that they are committed to becoming nonmilitary powers."

The paper warned Japanese taxpayers could not be persuaded to pick up the additional burden of providing aid if "those countries were to receive assistance while continuing to build aircraft carriers."

In a thinly veiled reference to Russia, the paper said republics "must implement foreign policy that is based on 'law and justice'." It said such policy would pave the way for settlement of the Russo- Japanese dispute over four islands seized by Soviet troops at the end of World War II.

The paper provides details of the some 17.5 billion yen Japan has disbursed or pledged in aid, loans, and trade insurance so far to the 12 republics.

Representatives from 69 countries and 20 international organizations are scheduled to attend the conference, which will be the third and last of its kind following ones held in Washington in January and Lisbon in May.

Ministry officials said the conference will launch a number of new international mechanisms to coordinate various types of assistance on a country-by-country basis as proposed at the Group of Seven summit conference in Munich in July.

Japan is expected to announce at the conference a fresh contribution of about 100 million dollars in grants for food, medical, and technical assistance to the republics to help cope with the coming winter.

Ministry officials said the funds, primarily allocated for medical supplies and technical help, will mainly go to the central Asian republics of Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan and Kazakhstan.

They said Japan will also press at the meeting for inclusion of the five republics in the development assistance committee list of the Organization for Economic Cooperation and Development so they will become eligible for full-scale financial and technical resources under Japan's official development assistance program.

Officials said Japan will also announce a training program in which engineers and technicians from the five nations would be invited to Japan.

Sources said a portion of the newly committed Japanese funds will be channeled to Russia's far east region, where Japan is making efforts to win over public opinion in its bid to have Russia return the four contested islands.

112 Billion-Yen Loan Package Extended to India

OW2710143492 Tokyo KYODO in English 1304 GMT 27 Oct 92

[Text] Tokyo, Oct. 27 KYODO—Japan offered India a 112 billion yen package of loans for fiscal 1992, which began last April, the Foreign Ministry said Tuesday.

The loans, equivalent to 810 million dollars, are worth 5 percent more than the 106.6 billion yen package that Japan extended to India the previous fiscal year.

The loans for five projects, including water pollution prevention, power transmission, thermal power station construction and gas-based combined-cycle power plant, are to be repaid over 20 years after a 10-year grace period.

A 33 billion yen hydrocarbon sector loan will be repayable over 18 years after a grace period of seven years.

The loan directed at preventing and rectifying water pollution in the Yamuna River, which flows across northern India and through the capital of New Delhi, will be used to plant trees along the river bank and to build sewage treatment plants, public toilets, and an electric crematorium.

All six loans will carry an interest rate of 2.6 percent per annum. Diplomatic notes relating to the provision of the loan package were exchanged between representatives of the two countries earlier in the day in New Delhi.

Japan is the largest contributor of development aid to India. In fiscal 1991, India was the second largest recipient of Japanese aid after Indonesia.

Foreigners Overstay After International Meeting

OW2710045592 Tokyo KYODO in English 0334 GMT 27 Oct 92

[Text] Kitakyushu, Fukuoka Pref., Oct. 27 KYODO—As many as 27 foreign participants in an Asia-Pacific regional meeting held here in May have overstayed their visas, local immigration officials said Tuesday.

Some 3,000 participants from 18 nations and regions attended the four-day meeting of the Junior Chamber International hosted by the Kitakyushu Junior Chamber.

Immigration officials said they suspect the 27 foreigners—24 from the Philippines and one each from Hong Kong, Sri Lanka, and Bangladesh—have been working unlawfully since May although they visited Japan on 90-day tourist visas.

The Fukuoka Immigration Bureau has instructed the Kitakyushu Junior Chamber to find the 27 missing foreigners and advise them to return home, the officials added.

Obuchi Declared Faction Boss; Strife Continues

OW2810064792 Tokyo KYODO in English 0637 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Supporters of Keizo Obuchi said his appointment as chairman of the biggest faction of the ruling Liberal Democratic Party (LDP) was endorsed Wednesday at general meeting of the faction, but continued fierce strife within the faction appeared to indicate a split.

Moriyoshi Sato, a senior member of a group supporting Obuchi's rival Ichiro Ozawa, said after the meeting that the Ozawa supporters will form a study group of 36 members of the House of Representatives but will not leave the faction.

At the general meeting, Ken Harada, who chaired an eight-member panel to pick the faction's new chairman succeeding fallen political heavyweight Shin Kanemaru, announced the selection of Obuchi, a former secretary general of the party.

The announcement sparked a spate of furious comments against the decision from supporters of Ozawa.

The Ozawa supporters argued that Obuchi's appointment was invalid because the correct procedures had not been followed. But those opposed to Ozawa insisted that Obuchi's nomination was finalized with Wednesday's report to the general meeting.

Last week, Harada nominated Obuchi, 55, and the nomination was supported by five senior faction members belonging to the panel when it met last Thursday.

Ozawa and two of his supporters boycotted the horse-trading session. The Ozawa group backed Finance Minister Tsutomu Hata as Kanemaru's heir.

Obuchi declared the opening of the meeting and urged Ryutaro Hashimoto, former finance minister and Ozawa's long-time rival, to moderate the session.

Hajime Funada, an Ozawa loyalist, shouted out an objection but Harada continued with a brief on the process of Obuchi's appointment.

Obuchi said, "With the appointment of the Chairman (Harada), I am resolved to do my utmost to fulfill my duty."

He also voiced hope for a harmonious management of the 109-member faction founded by former Prime Minister Noboru Takeshita in 1987 and then headed by Kanemaru. Obuchi is viewed as Takeshita's right-hand man.

Pro-Ozawa members, including Hajime Ishii and Naoto Kitamura, said they did not recognize Obuchi's appointment and demanded the decision be withdrawn to make a fresh start on the succession issue.

However, Hashimoto declared the end of the hour-long meeting.

Obuchi told reporters after the meeting that he will form a new faction leadership lineup on Thursday, one day before an extraordinary Diet session is convened.

Kanemaru, 78, often called the don of Japanese politics, gave up his Diet seat on October 14 to take responsibility for his receipt of an illicit 500 million yen political donation from scandal-ridden trucking firm Tokyo Sagawa Kyubin Co.

His resignation was prompted by a public outcry over his seemingly lenient treatment by prosecutors, who did not directly question him or summon him to court and imposed the maximum fine of 200,000 yen in violation of the political funds control law.

Ozawa Followers Split, Form Group

OW2810095292 Tokyo KYODO in English 0937 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Loyalists to Ichiro Ozawa in the ruling party's largest faction launched a policy study group Wednesday [28 October] with de facto breakup of the faction.

The announcement followed endorsement of Keizo Obuchi, Ozawa's rival, earlier in the day as chairman of the No. 1 faction in the Liberal Democratic Party (LDP), by his supporters at a general meeting.

Hajime Ishii, a senior member of the Ozawa camp, told a news conference that the name of the Ozawa policy group is "Reform Forum 21."

The forum of 36 members of the House of Representatives is headed by Finance Minister Tsutomu Hata and chaired by former Environment Agency Chief Kazuo Aichi, Ishii said. The Ozawa camp had backed Hata as faction chairman.

Obuchi, 55, former LDP secretary general and former chief cabinet secretary, told reporters that he will form a new faction leadership lineup on Thursday—one day before an extraordinary Diet session is convened.

Obuchi visited Prime Minister Kiichi Miyazawa and agreed to cooperate in introducing political reforms, Chief Cabinet Secretary Koichi Kato said.

Miyazawa also sought cooperation from Obuchi in managing Diet affairs, Kato said.

"We are facing a difficult time, but I want you to do your utmost to cooperate in political reforms and managing the extraordinary Diet session," Miyazawa was quoted saying.

The 109-member faction, founded by former Prime Minister Noboru Takeshita in 1987, was instrumental in installing the Miyazawa cabinet last November.

At the news conference at the faction's central Tokyo office, Hata, 57, criticized factionalism for not putting policy first and ruining the political climate in Japan.

"Today's factional politics... erodes what you might call the 'let's-try-this-policy' atmosphere or the atmosphere of talking about the future of Japan, especially among young politicians," Hata said.

"We must create a situation that enables the power transfer through political realignment and eventually turn Japanese politics around."

While saying his group will begin its activities among the faction members, Hata did not rule out the possibility of having others join.

"We 36 are not the only ones to do this, but we are also seeking cooperation from a wide spectrum," Hata said.

Noting the main policy issues have yet to be worked out, group member Ishii said it plans to discuss what themes to concentrate on and in what order at its first meeting to be held possibly next week.

In a television program aired Wednesday evening, Obuchi criticized Hata's policy study group as "something like a faction within a faction."

Within the faction, the Obuchi group has 49 members, 19 from the lower house and 30 from the House of Councillors, while the Ozawa camp has 37, 36 from the lower house and one from the upper house.

The remaining 23, 12 lower house and 11 upper house members, are regarded as neutral.

At the general meeting, Ken Harada, who chaired an eight-member panel to pick the faction's chairman to succeed fallen political heavyweight Shin Kanemaru, announced Obuchi's selection.

The Ozawa supporters argued the appointment was invalid because the correct procedures had not been followed. But those opposed to Ozawa insisted Obuchi's nomination was finalized with Wednesday's report to the general meeting.

Last week, Harada nominated Obuchi, and five senior faction members belonging to the panel supported the nomination last Thursday. Ozawa, 50, former LDP secretary general, and two of his supporters boycotted the session.

Obuchi declared the opening of the general meeting and urged Ryutaro Hashimoto, former finance minister and Ozawa's long-time rival, to moderate.

Hajime Funada, an Ozawa loyalist, shouted out an objection but Harada continued with a brief on the process of Obuchi's appointment.

Obuchi said, "With my appointment by (Harada), I am resolved to do my utmost to fulfill my duty."

He also voiced hope for harmonious management of the faction. Obuchi is viewed as a right-hand man to Takeshita.

Pro-Ozawa members, including Ishii and Naoto Kitamura, said they did not recognize Obuchi's appointment and demanded the decision be withdrawn to make a fresh start on the succession issue.

However, Hashimoto declared the hour-long meeting closed.

Some 90 faction members attended the session, but six ministers, including Hata, were absent in line with Miyazawa's call for restraint of factional activities by cabinet members.

Kanemaru, 78, often called the don of Japanese politics, gave up his Diet seat October 14 due to a public outcry over his seemingly lenient treatment by prosecutors in a major money scandal.

Kanemaru received a summary indictment for accepting an illicit 500 million yen political donation from scandal-ridden trucking firm Tokyo Sagawa Kyubin Co.

He paid the maximum fine of 200,000 yen in violation of the Political Funds Control Law without being questioned or standing trial.

Takeshita declared independence in 1987 from the faction led by former Prime Minister Kakuei Tanaka and formed the bloc, formally called "Keisei-Kai."

Kanemaru assumed the chairmanship of the faction in the same year after Takeshita became prime minister. It was the dominant power in installing three subsequent cabinets.

Lawmakers 'Pessimistic' Concerning Reform Plan

OW2710224892 Tokyo NHK General Television Network in Japanese 1000 GMT 25 Oct 92

[From "NHK News" program]

[Text] A survey has found that about 85 percent of the Liberal Democratic Party's [LDP's] Diet members do not believe that the drastic political reform plan Prime Minister Miyazawa promised to finalize by next month will be ready by then.

The survey was conducted by the Political Reform Drive Council among all Diet members of both the House of Representatives and the House of Councillors early this month, and 57 percent of the lawmakers responded to the survey. The Political Reform Drive Council is a gathering of business people, academicians, and other intellectuals.

Asked whether they thought progress had been made in political reform, 94 percent replied that no progress had been made. The survey also showed that lawmakers from both the ruling and opposition parties agreed there had been no progress whatsoever in political reform.

In reply to a question on whether they thought Prime Minister Miyazawa would be able to keep his promise to finalize a drastic political reform plan by next month, 56 percent, or a majority of the LDP lawmakers who responded, replied it would be difficult for the prime minister to keep his promise, and 29 percent said there was no chance at all. This means that a total of 85 percent of the ruling party's Diet members are pessimistic about the possibility of the plan being ready on time and, in turn, the promise being kept.

Explaining the survey's results, the Political Reform Drive Council, a private organization, said the results showed that there are many Diet members who doubt Prime Minister Miyazawa's seriousness and leadership ability in carrying out political reform.

In terms of the existing system of reporting political funds, those who said they did not trust the system registered 63 percent. When asked about specific ways of remedying the situation, the respondents called for actions to heighten the transparency of the flow of political funds and instituting a third-party organization to bring legal actions against those who accept illicit donations.

Tokyo To Keep 'Close Watch' on Nation's Money

OW2710044192 Tokyo KYODO in English 0226 GMT 27 Oct 92

[Text] Tokyo, Oct. 27 KYODO—Finance Minister Tsutomu Hata said Tuesday the government will keep a close watch on trends in the nation's money supply in handling economic policy.

Hata told a news conference following a regular cabinet meeting that economic ministers in their monthly meeting to review economic conditions held earlier in the day said the high level of outstanding loans is preventing growth in the money supply.

The Bank of Japan (BOJ) recently reported that broadly defined money supply—M2 (cash in circulation and time and demand deposits) plus certificates of deposit—shrank in September from a year earlier for the first yearly contraction since the central bank started keeping the statistics in 1968.

Hata said the government will steadily implement the mammoth fiscal stimulus package announced in late August.

"The perceptions of the government about business conditions have not changed very much since last month," he said.

Slowdown Prompts Downward Revision of Budget

OW2810151692 Tokyo KYODO in English 1500 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—A supplementary budget draft for the current fiscal year will revise downward the initial budget for the first time since fiscal 1986 and by the largest ever amount of 728.3 billion yen, government sources said Wednesday [28 October].

After endorsing the draft at a cabinet meeting on Friday, the government plans to submit the bill to the Diet when it convenes an extraordinary session the same day to pass it in mid-November, the sources said. They said the downward revision stems from an estimated 4,873 billion yen shortfall in tax revenues due to the protracted economic slowdown. Even allocation of all the net surplus from the fiscal 1991 budget and increased non-tax revenues to financial reserves will not be enough to cover the overall revenue shortfall, they said.

On the revenue side, the supplementary budget bill proposes additional issuance of construction bonds worth 2,256 billion yen as a reserve for expanded public works spending in the 10.7 trillion yen economic package launched in August. Overall revenues will decrease by 728.3 billion yen.

As for expenditures, 1,962.2 billion yen will be added for increased public works spending, and another 2,443.8 billion yen will be charged for such expenses as higher salaries and subsidies for public housing developers. Reduction in expenditures will include 1,568.2 billion yen in grants and tax allocations to local governments.

Mongolia

Business Leader Admits 'Heavy Blow' to Economy

OW1910122992 Tokyo KYODO in English 1202 GMT 19 Oct 92

[Text] Osaka, Oct. 19 KYODO—A Mongolian business leader said Monday the collapse of the Soviet Union dealt a heavy blow to Mongolia's economy, forcing the country to continue rationing of vital commodities.

J. Gulgoo, chairman of the Mongolian Chamber of Commerce and Industry, said Mongolia totally depended on the Soviet Union for supplies of daily necessities and 80 percent of its foreign trade.

But Gulgoo, here to attend the 1992 World Business Convention which opened Monday, said little confusion has been created in the country's transition to the market economy.

"Inflation is inevitable and the value of the currency plummeted by 90 percent over the last two years but the country's imports have been rising as a result of decontrols on commodity prices," he said.

The declining value of the currency may help promote investment from overseas, he added.

Gulgoo said the opening of the country's first stock market in Ulaanbaatar last February was not as successful as expected because investors have not received enough dividends so far.

He said the younger generation has begun to return to dairy farming again after the government approved private ownership of cattle.

He said 60 percent of cattle in the country are owned by cooperatives and the remaining 40 percent by individuals.

Natural resources in Mongolia are rich enough to feed its two million people for a century, making it possible to set aside part of them for exports, he said.

Nation Prepares To Speed Up Foreign Investment

OW2110121592 Tokyo KYODO in English 1000 GMT 21 Oct 92

[Text] Osaka, Oct. 21 KYODO—A senior Mongolian trade official said Wednesday [21 October] the Mongolian Government is preparing to enhance foreign investment in the country.

Tseden Yondon, vice minister of trade and industry, told a news conference a revision of the foreign investment law enacted in 1990 is being studied at the National Assembly.

Yondon, here to attend a four-day 1992 World Business Convention which opened Monday, said the study involved an extension of the three-year tax exemption period for foreign enterprises and expansion of tax incentives.

He said the government hopes to substantially lower the tax rate on earnings to be remitted by foreign corporations to their parent firms, which currently stands at 40 percent.

North Korea

Meeting Issues Decision on Suspending N-S Talks

SK2710140592 Pyongyang Korean Central Broadcasting Network in Korean 1032 GMT 27 Oct 92

[Draft "letter of decision [kyolchongso] of a joint meeting of the government, political parties, and organizations of the DPRK" held on 27 October at the People's Palace of Culture in Pyongyang, read by Yu Ho-chun, director of the Secretariat of the Central Committee of the Democratic Front for the Reunification of the Fatherland—recorded]

[Text] Today, in connection with the fact that the United States and the South Korean authorities are trying to resume the Team Spirit nuclear war exercise against our Republic, we have held a meeting of the government, political parties, and organizations of the Republic to jointly tackle this issue.

As is known, the North and South of the Korean peninsula have made great progress on the road toward promoting national reconciliation and unity and achieving peace in the country and its reunification. Amid all the fellow countrymen's great expectations and concern, the North and South have held several rounds of high-level talks and adopted and effectuated the historic North-South agreement, the joint denuclearization declaration, and the annexed agreements for implementing the agreement and the declaration. They have also agreed to operate reconciliation, military, economic, and social and cultural joint committees and joint committees of various other domains. As a result, the North and South can now foresee the prospects of achieving mutual reconciliation, promoting unified national development, and hastening the country's peaceful reunification.

All the fellow countrymen in the North and South and abroad and peace-loving people all over the world warmly support and welcome the fact that excellent results have been achieved in North-South dialogue. They sincerely expect that the two sides will sincerely fulfill their joint promise before the fellow countrymen, thus opening a new phase of reconciliation and detente in this land which has been frozen by mistrust and confrontation.

At such a time, the United States and the South Korean authorities held an annual Security Consultative Meeting in Washington and adopted a very ominous military decision to resume the Team Spirit joint military exercise, which they suspended this year, withhold the second-stage plan to reduce the U.S. forces occupying South Korea, and deploy in South Korea rapid deployment and (?deterrent) forces for attacking us. This has aroused great indignation and worry among all the Korean people and peace-loving people all over the world who hope for peace in the country and its peaceful reunification.

This military measure by the United States and the South Korean authorities is an unforgivable crime that will return the situation in our country back to the original state of the confrontation era, destroy [pagoe] all North-South dialogues, and block the implementation of the documents of North-South agreement already adopted.

The United States and the South Korean authorities are trying to justify their crimes under the pretext of our nonexistent nuclear issue. However, this is unreasonable sophistry. The justness and integrity of our peaceful nuclear policy have already been proven by several rounds of irregular [pijonggi] inspections by the International Atomic Energy Agency [IAEA].

Moreover, already late last year, the North and South agreed to resolve the issue of denuclearizing the Korean peninsula from a stand of national independence and have been sincerely discussing this matter at the North-South Joint Nuclear Control Committee since March this year.

The South took this issue, which must be discussed in the talks, out of the talks and is trying to use it as a pretext for conducting a nuclear war exercise. This is an unreasonable attempt that cannot convince anyone.

The United States and the South Korean authorities once officially announced that they would suspend the Team Spirit joint military exercise this year to help ease tension on the Korean peninsula and make progress in North-South relations. Since then, significant progress has been made in the North-South high-level talks. And, as a result, the North-South basic agreement, the annexed agreements, and the joint denuclearization declaration have been adopted and effectuated and they are about to be fully implemented. Also, the situation on the Korean peninsula clearly is going toward detente and reconciliation. An attempt by the United States and the South Korean authorities to resume the Team Spirit joint military exercise at such a time cannot be justified under any pretext.

The United States had suspended the Team Spirit joint military exercise before the International Atomic Energy Agency started nuclear inspections of us. Then, today when we are receiving nuclear inspections, it said that it would resume the exercise under the pretext of our nuclear issue, which is no problem at all. This is groundless brigandish logic.

The South Korean authorities, after abandoning the promise they had made before the nation and a sense of faith with their dialogue partner, are trying to resume a large-scale war exercise against us in collusion with foreign power. This is an unforgivable treacherous crime.

This joint meeting acknowledges that checking [choji] the plan by the United States and the South Korean authorities to conduct the Team Spirit joint military exercise is a key demand for rescuing North-South dialogue, which is facing the danger of breakup, preventing a nuclear war on the Korean peninsula, and defending peace in Asia and the world. Therefore, it decides as follows:

1. In case the United States and the South Korean authorities resume the Team Spirit joint military exercise after all, we will suspend [tonggyol] not only the North-South high-level talks but also all other dialogues and contacts with the South Korean authorities, including the joint committees of different domains.

If the United States and the South Korean authorities, despite our repeated demands, carry out the plan to conduct the Team Spirit joint military exercise, it is practically meaningless for the North and South to hold dialogue.

The South Korean authorities, who, after abandoning their promise with their fellow countrymen, are embarking upon the road toward war against us in collusion with foreign power, must be duly held responsible for the destiny of the dialogue between the two sides.

Even though the North-South dialogue between the authorities may be suspended, we will continue to pursue dialogue and contacts between political parties and organizations and civilians.

2. All the Korean compatriots and organizations in the North and South and abroad will positively conduct a pan-national movement to check and frustrate the attempt by the United States and the South Korean authorities to resume the Team Spirit joint military exercise, which hampers all the fellow countrymen's interests.

The North side's headquarters of the National Alliance for the Country's Reunification [Pomminnyon] shall take necessary steps, such as appealing to the preparatory committee for the formation of the South side's headquarters, overseas headquarters, and regional headquarters to actively conduct, in keeping with their specific conditions, the movement to denounce the decision by the United States and the South Korean authorities to resume the Team Spirit joint military exercises and to check and frustrate it.

We call upon all the Korean compatriots in the North and the South and overseas to more positively conduct the pan-national movement to turn the Korean peninsula into a nuclear-free, peace zone and remove the U.S. troops and nuclear weapons from South Korea.

3. The power bodies of all levels, political parties, and organizations in the northern half of the Republic will keep themselves fully ready to counter the prevailing grave situation.

The power bodies of all levels, political parties, organizations, and people from all walks of life in the northern half of the Republic will further heighten their revolutionary vigilance more than at any other time and vigorously accelerate socialist construction in a tense and mobilized posture.

All the sectors and units will keep themselves fully ready to counter possible military provocations by the U.S. imperialists and the South Korean bellicose elements.

4. The government of the Republic and all the political parties and organizations will take positive external steps to induce the governments, parliaments, political parties, organizations, and peoples of all the countries in the world that love peace to pay deep attention to the grave situation on the Korean peninsula, raise their voices

opposing the resumption of the Team Spirit joint military exercise, and positively support our people's just cause of peace in the country and its peaceful reunification.

In this regard, a letter to the governments, political parties, and parliaments of all the countries in the world will be adopted first in the name of this joint meeting.

Our country is at a grave point that may lead to war or peace and confrontation or dialogue. All the Korean compatriots who love the country and the nation, irrespective of whether they live in the North, the South, or abroad, must rise up in the struggle to smash the maneuvers by the U.S. imperialists and the South Korean authorities to provoke new war.

We express our expectations that all Korean people in the North, South, and abroad, conscious of their national responsibility before the era and history, will positively participate in the pan-national march to achieve reunification in the nineties.

[Signed] Joint Meeting of the Government, Political Parties, and Organizations of the DPRK
[Dated] 27 October 1992, Pyongyang

Yun Ki-pok Addresses Meeting

SK2810120892 Pyongyang Korean Central Broadcasting Network in Korean 0934 GMT 27 Oct 92

[Report by Yun Ki-pok, secretary of the Workers Party of Korea Central Committee, vice chairman of the Committee for the Peaceful Reunification of the Fatherland, and chairman of the North side's headquarters of the Pan-National Alliance for the Reunification of the Country, at the joint meeting of the DPRK Government, political parties, and organizations at the People's Palace of Culture in Pyongyang on 27 October—recorded]

[Text] Comrades, a very serious situation has been created in which North-South relations—which have been moving in the direction of detente and reconciliation—go back to the starting point of distrust and confrontation because of the United States and South Korean authorities' decision to resume the provocative Team Spirit joint military exercise and because they hatched a new military plot against our Republic.

In this new serious situation, which lies across the future road of the country's peace and reunification, we come to hold this joint meeting of the government, political parties, and organizations to discuss the issue of jointly coping with this situation. [applause]

As is already known, the United States and South Korean military authorities have recently held the so-called Military Committee and annual Security Consultative Meeting in Washington and agreed to resume the Team Spirit joint military exercise next year—which they suspended this year. They also agreed to delay the second-phase of reducing U.S. troops occupied in South Korea and to introduce the rapid mobilization armed forces of the U.S. Navy and Air Force into South Korea prior to an emergency on the Korean peninsula. Thus, they have hatched a provocative military plot against our Republic.

We cannot but say that this plot is intentionally designed to block the fulfillment of the North-South agreement and deteriorate North-South relations.

Because, in their high-level talks, the North and the South have already adopted and effectuated the annexed agreements in various sectors to fulfill the North-South agreement, they have come to see the bright prospect for opening a practical phase for detente, peace, and reunification with the beginning of operation of the joint committees in their various fields.

All Korean compatriots in the North, the South, and abroad, including the broad peace-loving people in the world, are now expressing their great welcome and expectation for all outstanding agreements reached between the North and the South. They also sincerely hope that a bright future will be opened for peace and reunification on the Korean peninsula as soon as possible.

Since the eighth North-South high-level talks, we have attached a great importance to opening the first joint committee meetings—which will be the starting point for putting the North-South agreement into practice—in order to sincerely fulfill the overall North-South agreement, including nonaggression, in conformity with the expectation of the people at home and abroad. We have also made all efforts to carry out the preparatory work for the joint committee meetings.

At this time, the United States and South Korean authorities are kicking up a grave military commotion leading to extremely aggravating tensions on the Korean peninsula, while putting the North-South dialogue at a crisis of rupture.

This is clear proof showing that the U.S. imperialists do not hope for detente and reconciliation concerning the situation on the Korean peninsula, and that the South Korean authorities attempt to move forward the road of confrontation and war by disregarding the agreements reached between the North and the South.

The United States did not welcome the adoption of the North-South agreement and the joint declaration on denuclearization in Korea and has directly and indirectly hindered their implementation. As soon as the North-South agreement was adopted, the U.S. authorities placed pressure on the South Korean authorities to shelve [yubo] the implementation of the agreement. When the meetings of subcommittees to discuss the implementation of the North-South agreement were being held and when the work of exchanging elderly parents' home-visiting groups between the North and the South was agreed upon, the U.S. authorities staged in succession a large-scale war exercise such as Focus Lens, thus openly hindering the implementation of the North-South agreement and the work of exchanging elderly parents' home-visiting groups.

That the U.S. imperialists have extremely aggravated the situation on the Korean peninsula by attempting to resume the Team Spirit joint military exercise once again clearly shows that they are the ringleader hindering our country's reunification. This year alone the South Korean authorities staged various large scale joint military exercises, named and unnamed, more frequently under the pretext of filling the vacuum of the suspended Team Spirit joint military eexercise. Thus, they have hindered progress in the meetings of subcommittees for the implementation of the North-South agreement.

The South Korean authorities' decision to resume the Team Spirit joint military exercise together with the United States is an act of openly infringing upon and betraying the North-South agreement. North-South dialogue and the Team Spirit joint military exercise are incompatible. This is the bitter lesson of the past dialogues which suffered repeated failure and rupture. The people of the world are well aware of the fact that North-South talks and contacts that had been arranged with much effort were driven into a state of supension or brought into a complete rupture in the past only for the reason of the Team Spirit joint military exercise.

This is why ever since the first round of the North-South high-level talks we have repeatedly called for the suspension of the Team Spirit joint military exercise and why the United States and the South Korean authorities, too, had to accept our proposal and to suspend this war exercise this year, unable to deny any longer its negative influence on North-South dialogue.

The United States and the South Korean authorities went so far as to announce the suspension of this year's Team Spirit joint military exercise for the alleviation of tension on the Korean peninsula and for progress in North-South dialogue. Thanks to our active efforts the war exercise was suspended this year. Consequently, the situation on the Korean peninsula moved toward detente and peace, and the North and the South not only adopted and effectuated the North-South agreement and the joint declaration on denuclearization, but also adopted the annexed agreements of various sectors of the North-South agreement. Thus, they have reached a stage where North-South joint committees of various sectors can be operated.

Nonetheless, the U.S. imperialists and the South Korean authorities are trying to resume the Team Spirit joint military exercise. This proves that they object to easing tension between the North and South and that they are trying to completely destroy dialogue itself.

If the Team Spirit joint military exercise is resumed, the North-South dialogue will be destroyed and the implementation of the points of agreement, which have been already agreed upon between the North and the South, will be suspended. In addition, not only reconciliation and nonaggression, but also cooperation and exchanges in the fields of economy, society, and culture cannot be realized. For this reason, the resumption of Team Spirit is an antipeace and antireunification crime that wantonly tramples underfoot the desire of the entire Korean people and the innocent people of the world hoping for peace and peaceful reunification of the country. It prevents the implementation of the points of agreement between the North and the South and brings the North-South dialogue to a rupture.

Persistently trying to resume the Team Spirit military exercise is a premeditated provocation to aggravate tension on the Korean peninsula in extreme; to bring the danger of a new war—nuclear war—to the Korean peninsula, and to bridge over the crumbling colonial military fascist rule in South Korea.

As for the Team Spirit joint military exercise, this is an extremely adventurous nuclear test war to threaten our Republic through strength according to the U.S. new war strategy and to suddenly realize the ambition to invade the North by using South Korea as a nuclear forward base. Therefore, there is no doubt that if the reckless war exercise is allowed to be conducted, military tension will be further aggravated and the fuse of a new war will be ignited without fail.

In connection with the implementation of the North-South agreement, the trend of reunification through collaborating with communism and the North greatly escalates among the people of all strata in South Korea. Struggle to bring to an end the military dictatorial regime and to establish a democratic government is vigorously waged in South Korea. Contradiction and friction within the ruling quarters reach an extreme, resulting in a serious political crisis in South Korea. Thus, a situation that is very unfavorable to the United States and the South Korean authorities is developing in South Korea.

Being embarrassed by this, as they have done habitually to bridge over their crisis, the South Korean authorities more frantically than ever before kicked off anti-Republic strategic maneuvers, including the South Korean Workers Party of Korea incident, thereby inciting North-South confrontation and threatening the forces for reunification and democracy.

The United States and the South Korean authorities are trying to resume the Team Spirit joint military exercise under the pretext of the so-called nuclear issue. This is nothing but a presumptuous sophistry to justify their criminal war exercise maneuver and to mislead opinion at home and abroad.

The nuclear issue arose on the Korean peninsula. This issue has still not been resolved and the doubt of nuclear weapons exists there. All of these issues have originated from the U.S. nuclear weapons deployed in South Korea. The issue of nuclear inspection has not been resolved between the North and the South. This is because, due to U.S. pressure and manipulation, the South Korean authorities are trying to exclude the U.S. nuclear weapons and nuclear bases from the list of inspection items.

We, who have consistently claimed denuclearization on the Korean peninsula, have on more than one occasion declared that we have no intention to develop nuclear weapons nor do we have the ability to develop nuclear weapons.

Our will for denuclearization and the integrity of our nuclear policy have been clearly proven by the three rounds of irregular [pijonggi] inspections by the International Atomic Energy Agency [IAEA]. The South Korean authorities are planning to resume the Team Spirit joint military exercise, which they had suspended before the IAEA started inspecting us, at this time when the integrity of our peaceful nuclear policy has been clearly proven. Nothing can justify this.

Moreover, at a time when the North-South Joint Nuclear Control Committee has been discussing the nuclear inspection issue, the South Korean authorities, taking this issue out of the place of the talks, are trying to use it as a pretext for conducting war exercises such as the Team Spirit joint military exercise. This is truly an unreasonable act.

I describe the plan by the United States and the South Korean authorities to resume the Team Spirit joint military exercise as a very dangerous act designed to block the implementation of the North-South agreement, destroy North-South dialogue, and return North-South relations back to the original state of confrontation. I resolutely denounce this in the name of all Korean people. [applause]

Today, whether or not we will be able to check the Team Spirit joint military exercise is a very serious issue related to North-South dialogue and the North-South agreements. If we fail to check the reckless nuclear war exercise of the U.S. imperialists and the South Korean authorities, this will bring the grave consequences that all the hard-won North-South agreements will be reduced to useless scrap of paper and that North-South dialogue, contacts, exchanges, and all the other forms of North-South relations will be aggravated all at once. [applause]

We must check, at all costs, the maneuvers by the U.S. imperialists and the South Korean authorities to resume the Team Spirit joint military exercise, implement the North-South agreement, and thus open the road toward peace and reunification without fail.

The great leader Comrade Kim Il-song has taught: All the political parties, public organizations, and compatriots from all walks of life in the North and South and abroad must support and encourage each other and take common steps in the struggle to reunify the fatherland.

In connection with the fact that the U.S. imperialists and the South Korean authorities are planning to resume the Team Spirit joint military exercise, aggravating the situation on the Korean peninsula to the utmost, we have the important task of jointly tackling this exercise with united national strength. Checking and frustrating the resumption of the Team Spirit joint military exercise by the United States and the South Korean authorities is the most urgent task for all Korean people. [applause]

Checking and frustrating the resumption of the Team Spirit joint military exercise, an act of trampling all the Korean people's earnest desire for reunification, is not a job only for specific political parties, classes, or strata, but a pan-national task that all the fellow countrymen, transcending differences in ideas, systems, parties, factions, and affiliations, must carry out as a nationwide movement.

The government, political parties, and public organizations of our Republic must vigorously wage the struggle to oppose the resumption of the Team Spirit joint military exercise by mobilizing organizations under them and their members. [applause]

On this occasion, we enthusiastically call on all the organizations in the North and South and abroad of the Pan-National Alliance for National Reunification to positively organize compatriots from all walks of life and mobilize them in the pan-national movement to oppose the Team Spirit joint military exercise. [applause]

If the United States and the South Korean authorities try to fulfill a certain vicious goal by resuming the Team Spirit joint military exercise, this would be a great miscalculation. The United States must stop committing such unjust acts as pressuring someone else under the nonexistent nuclear issue, aggravating tension on the Korean peninsula, and putting a brake on the implementation of the North-South agreement by conducting a reckless nuclear war exercise. It must also leave South Korea without delay taking along with them the nuclear weapons and forces of aggression. [applause]

The South Korean authorities must unconditionally cancel their agreement with the United States to resume the Team Spirit joint military exercise, stop kicking up anti-Republic smear maneuvers, and immediately stop their fascist suppression of youth and students and people in South Korea who demand independence, democracy, and reunification. [applause]

In connection with the plan by the U.S. imperialists and South Korean bellicose elements to resume the provocative Team Spirit joint military exercise designed to attack us, what will happen to the existing talks between the North and South is a great concern at home and abroad. Because the Team Spirit nuclear war exercise has been a cancerous element that blocks progress in North-South dialogue, if this war exercise is resumed, it is very self-evident that the existing North-South dialogue will be suspended.

Today, amid the unanimous support and welcome of all the fellow countrymen and peace-loving people the world over, the North-South high-level talks have taken a valuable first step toward the fatherland's independent, peaceful reunification and progress has been made in the talks. At such a time, planning to resume the Team Spirit war exercise, which lays an obstacle to the talks, is an unforgivable act of destroying dialogue.

We acknowledge that even though, in connection with the resumption of the Team Spirit war exercise, a grave danger is facing the contacts and talks between the authorities of the North and South, contacts and dialogue between the political parties, public organizations, and civilians between the North and South must positively be arranged and pursued without any restraint.

Today when the U.S. imperialists and the South Korean bellicose elements are planning to conduct a nuclear war exercise against us, our people have the task of further heightening their revolutionary vigilance, further displaying the superiority of the popular masses-centered socialism of our own style, and more vigorously accelerating socialist construction than any other time. [applause]

After being single-mindedly united around the great leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il, all the workers and people from all walks of life on the northern half of the Republic must score new great upsurges in all fields of socialist construction. [applause]

The Team Spirit joint military exercise is a great threat to peace not only on the Korean peninsula but also in Asia and the world in general. If the Team Spirit joint military exercise is conducted, if the situation is aggravated to the utmost on the Korean peninsula, and if a fuse to a new war is ignited after all, this will easily turn into a thermonuclear war that will sweep over Asia and the world.

We express our expectations that the governments, parliaments, political parties, and public organizations of all the countries of the world that love peace will reject the resumption of the Team Spirit joint military exercise and continue to positively support and encourage our people's just cause of peace in the country and its reunification. [applause]

Our just patriotic cause of hastening peace in the country and its peaceful reunification is invincible. [applause]

Let us all more vigorously fight to hasten the fatherland's independent, peaceful reunification, while upholding the great leader Comrade Kim Il-song and following the dear leader Comrade Kim Chong-il's wise leadership. [applause]

Foreign Ministry Denounces Team Spirit Decision

SK2810111092 Pyongyang KCNA in English 1034 GMT 28 Oct 92

["DPRK Foreign Ministry Memorandum on 'Team Spirit'"—KCNA headline]

[Text] Pyongyang October 28 (KCNA)—The Ministry of Foreign Affairs of the Democratic People's Republic of Korea today published a memorandum, which denounces the scheme of the United States and the South Korean authorities to resume the "Team Spirit" joint military exercises, a nuclear attack rehearsal against the dialogue partner, as a wanton violation of the North-South agreement and the joint declaration on denuclearisation and an act to intentionally wreck the North-South dialogue.

Citing concrete facts, the memorandum proves that the "Team Spirit" war game is an offspring of the Asian policy of the United States.

The United States hold that the conversion of South Korea into a military stronghold is the "core of its Asian military policy" and it is "an important task of the Asian policy to seize the Korean peninsula, because South Korea must be the "foremost line of the U.S. strategy" along with Europe. (South Korean radio no.1, March 27, 1982).

Having suffered a setback in the Vietnam war in the middle of the 1970s, the United States pursued a policy of tightening its grips on South Korea in military aspect to maintain its position in the Asia- Pacific region.

Hence the start of the military exercises codenamed "Team Spirit" in 1976, which is staged jointly by the United States and South Korea.

This nuclear war game escalated against the DPRK has increased the tensions on the Korean peninsula and created grave obstacles to peace and reunification.

The "Team Spirit" joint manoeuvres had been continued for sixteen years till it was suspended this year by the United States and the South Korean authorities. But, at the "24th annual Security Consultative Meeting" some time ago, they discussed the matter of resuming the joint military exercises, shelving the "second-phase reduction program" of the U.S. Forces present in South Korea and deploying "a rapid deployment force" for attacking the DPRK.

This proves that the "Team Spirit" joint war game proceeds from the anachronistic Asian policy of the United States to establish its military domination over the Asia-Pacific region with South Korea as the stronghold.

The memorandum points out that the "Team Spirit" is a nuclear war exercise.

This is explained by the fact that it is staged on the biggest nuclear arsenals in the Far East, it says, and continues:

Distributed in South Korea are underground nuclear storages, nuclear bases which nuclear-powered aircraft carriers and submarines can enter any time, and various types of nuclear capable planes, and located there are the "nuclear program operational unit" which works out nuclear launching programs by analysing targets of nuclear attack and a "nuclear quick reaction force" which keeps itself in a war posture round the clock, controlling nuclear weapons, and can take off within five minutes with nuclear bombs in "case of emergency."

Recalling the "declaration on the absence of nuclear weapons" and "declaration on the withdrawal of tactical nuclear weapons" made by the United States and the South Korean authorities recently, the memorandum says the presence of nuclear weapons in South Korea has been proved by testimonies of witnesses.

The memorandum quotes former honorary president of the Hyundai Business Group Chong Chu-yong who supervised on the spot a top-secret project for the stockpile of U.S. atomic bombs, Kwak Cha-mun who once served as a translator and liaison officer of the technical assistance room of the U.S. naval base in Chinhae and Paek Won-su who is now serving as a liaison officer in charge of the management of the Chinhae nuclear submarine base.

According to them, nuclear-powered submarines of Los Angeles and Sturgeon class frequently call at the Chinhae base, each capable of carrying 12-27 nuclear missiles, and one submarine can level the major cities throughout North Korea with the ground.

The forces mobilized in the "Team Spirit" joint military manoeuvres also prove that the rehearsal is a nuclear war game.

Participating in the "Team Spirit" are the U.S. "nuclear strategic command" the main duty of which is to command a nuclear war, the carrier flotilla of the U.S. Seventh Fleet called "a moving nuclear base", B-52 strategic bombers which are considered to be one of the "three pillars" of the U.S. strategic nuclear forces and E-4B, a total nuclear war commanding plane which was specially designed and manufactured for the U.S. President and Defense Department to command the war in the air if a total nuclear war broke out.

Retired U.S. Admiral Laroque said in March 1983 that the U.S. strategic command was taking part for the first time in the "Team Spirit" joint military exercises involving the enterprise and the war game was being staged under simulated conditions of a nuclear war. (KNS March 23, 1983 from Tokyo)

The memorandum points out that the "Team Spirit" is offensive manoeuvres directed against the DPRK.

The United States and the South Korean authorities are claiming that the military rehearsal is "defensive" one, trying their hardest to veil its criminal nature. But the composition and scope of the armed forces and equipment involved and methods employed in the exercises and their contents and period indicate that the "Team Spirit" is a war game for a forestalling attack on the DPRK, the dialogue partner of South Korea.

The United States masses huge armed forces and military equipment in South Korea from the U.S. mainland, Guam and Okinawa to stage together with South Korea landing and river-crossing training, missile attack and nuclear bombing exercises, air strike and commando dropping drills and other surprise attack operations simulating strikes at the depths of the rear. This bespeaks that the exercises are not aimed at checking other's attack but at assaulting others.

An Australian nuclear expert Peter Hayes told a civic hearing on February 24, 1989 that the "Team Spirit" is apparently an "offensive rehearsal from the military point of view". (South Korean newspaper PYUNGHWA SINMUN March 2, 1989)

Livsey, former commander of the U.S.-South Korea Combined Forces, speaking at a U.S.-South Korea meeting of defence industry held in Seoul on April 7, 1987, said that the U.S. Forces "would attack the heart of the North" in case of emergency on the Korean peninsula.

If the United States and the South Korean authorities, in defiance of our protest and warning, dare stage the "Team Spirit 93" joint military manoeuvres, they will have to be held fully responsible for all the consequences to be entailed, warns the memorandum.

Military Hotline Depends on South's 'Attitude'

SK2810131092 Pyongyang Korean Central Broadcasting Network in Korean 1215 GMT 28 Oct 92

[Text] A North-South contact of working-level communications officials took place today at the conference room of the Neutral Nations Supervisory Commission in Panmunjom to discuss the establishment and operation of a North-South military hot line.

Before starting a discussion at the contact on the establishment and operation of a military hot line stipulated in Chapter Four of the annexed agreement on nonaggression adopted and effectuated at the eighth North-South high-level talks, our side said that the 27 October joint meeting of the government, political parties, and public organizations of the Republic decided to suspend not only the North-South high-level talks but also all dialogue and contacts with the South Korean authorities, including meetings of joint committees of various domains, under circumstances in which the United States and the South Korean authorities are planning to resume the Team Spirit joint military exercise after all.

Our side also said that the North-South relations are in danger of returning to the original state of confrontation today because the South side had decided to resume a large-scale nuclear war exercise designed to attack us, its dialogue partner, in collusion with the United States.

Our side also said: The South side considers an outside power to be its friend and its fellow countrymen to be its enemy. This treacherous act will not be able to escape from the denunciation of all the fellow countrymen and denunciation at home and abroad.

Our side also said that the South side must pay due attention to our side's just measure this time and make a courageous decision to resolve the situation by taking sides with the nation, not the outside power.

Dumbfounded at our side's fair and aboveboard demand and its stand of national independence, the South side proposed to enter into working-level discussions, saying that it has come to know very well our position to suspend the resumption of the Team Spirit joint military exercise and would notify the authorities about it as it is. Our side entered into discussions after making it clear that working-level discussions would start on the assumption that the South side would have its decision to resume the Team Spirit joint military exercise canceled. During the discussions on practical matters, the two sides exchanged views on each other's proposal.

In concluding the contact, our side stressed that all the conscientious fellow countrymen and people the world over positively support the decision at the joint meeting of the government, political parties, and public organizations of our Republic and are watching the South side's attitude. Our side made it clear that the establishment and opportunity of the North-South hot line depends on the South side's attitude.

The two sides agreed to set a date for the next North-South contact of working-level communications officials at the North-South Liaison Office in Panmunjom.

U.S. Defense Secretary's Remarks Condemned

SK2710234992 Pyongyang KCNA in English 1112 GMT 27 Oct 92

["Outburst of Nuclear Warmaniac"—KCNA headline]

[Text] Pyongyang October 27 (KCNA)—U.S. Defense Secretary Cheney at a press conference held at the end of the meeting of defence ministers of NATO nations criticized the resolution of U.S. Congress on a temporary suspension of nuclear weapons test as "rash" and added that the U.S. Administration wants to promote the drafting of a bill to change the resolution, according to a foreign press report. The outburst of the nuclear warmaniac clearly showed once again that the bellicose circles of the United States have not abandoned the wild design to dominate the world with nuclear monopoly and nuclear superiority despite the change of the situation.

Denuclearization is a trend of the world, and the abolition of all nuclear weapons on the globe is an invariable target of the struggle of the world peaceloving people. There is no force on earth which can turn back the current of the anti-nuke struggle of the world peaceloving people including the American people.

Overwhelmed by the strong current of the anti-nuke struggle, U.S. Congress recently felt compelled to adopt a resolution on a temporary suspension of nuclear weapon test. The U.S. defence secretary, however, openly negated the Congress resolution.

The fact shows that although the United States pays lip service to peace and detente, it does not intend to renounce the nuclear policy in attaining its aggressive purpose. This implies that the United States may rush headlong toward the provocation of a nuclear war more recklessly with megalomania, left as the only superpower.

The U.S. defense secretary, according to a foreign press report, again raised the fictitious "nuclear development" of the DPRK as he was wont to do to justify the U.S. policy for provoking nuclear war.

This was aimed at justifying their policy of keeping South Korea as their nuclear base. It means he admitted that the propaganda about the withdrawal of nuclear weapons from South Korea is a sheer lie.

It is crystal clear that the decision of the United States to resume the Team Spirit joint military maneuvers, a test nuclear war, next year together with its South Korean stooges in disregard of the inter-Korean agreement on nonaggression was a measure taken within the framework of the policy of keeping South Korea as a nuclear base.

The Korean people and the world peaceloving people are watching the acts of the U.S. nuclear warmaniacs with high vigilance.

Next Round of Normalization Talks With Japan Set

SK2710231792 Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 27 Oct 92

[Text] The eighth governmental talks between the DPRK and Japan on normalizing diplomatic relations will be held in Beijing. The eighth governmental talks between the DPRK and Japan on normalizing diplomatic relations will be held at the two sides' embassies in Beijing from 5 to 6 November 1992.

Attending the talks from our side will be a DPRK government delegation led by Ambassador Yi Sam-no, vice minister level official in the Ministry of Foreign Affairs. Also attending at the talks from the Japanese side will be the Japanese government delegation led by Ambassador Nobuo Nakahira, vice minister level official in the Japanese Ministry of Foreign Affiars.

Charges of Attempt on No Tae-u in PRC Denied

SK2810114892 Pyongyang KCNA in English 1056 GMT 28 Oct 92

["Criminal Act of Shifting Theatre of Plot-Breeding Abroad"—KCNA headline]

[Text] Pyongyang October 28 (KCNA)—The South Korean authorities reportedly fabricated another case against the DPRK, shamelessly charging it with "an attempt of terrorist attack".

The anti-national elements, old hands at plot-breeding, spread a false rumour that North Korea failed in its attempt to stage an "operation" to do harm to No Tae-u during his recent trip to China through "sniping" and "blasting" by "female operatives." They added that this is a "fact known later."

This fabrication shows that the South Korean rulers who are now in the grip of crisis owing to the internal strife growing acute and in face of the intensified struggle of people for independence, democracy and reunification, with the "presidential elections" around the corner, are resorting more viciously to their anti-national acts of inciting antagonism and distrust to find a way of prolonging their remaining days by diverting people's attention elsewhere.

This also shows that the South Korean authorities are mean enough to extend their theatre of plot-breeding against the DPRK abroad in an effort to tarnish the image of the dignified DPRK and intercept the world people's support to the DPRK's just struggle for the independent and peaceful reunification of the country.

This plot, however, will not go down with anyone.

The fact that they launched into such black propaganda all of a sudden now, a month after No's tour of China, fully reveals the falsity of the "case."

As is known, the South Korean anti-national elements who had been landed in a bog of crisis fabricated the "case of the Workers' Party of Korea in South Korea" recently in an attempt to find a way out of it. But the plot was shattered from the very beginning in face of people's sharp vigilance.

Flurried by this, the fascist elements this time faked up this "case" called "harming operation" as a last-ditch effort to attain their treacherous aim at any cost.

But they had to attach to the new "case" the label "a fact known later." This tells that the "security planning board" which is accustomed to fabricating things is now at its wit's end.

It is a most foolish calculation if they think they can shock people with a clumsy trick.

The South Korean authorities' dastardly black propaganda is a crude breach of the annexed agreement for the implementation and observance of the North-South reconciliation stipulated in the North-South agreement, that is, the North and the South shall refrain from distorting facts against the other and from fabricating and spreading false rumours.

All the fellow countrymen will never pardon the criminal acts of the South Korean anti-national elements who are working round the clock to incite antagonism and distrust to hamper the great unity of the nation and lay obstacles in the way of the North-South dialogue.

Western Description of Investment Laws Berated

SK2710114392 Pyongyang KCNA in English 1104 GMT 27 OCT 92

[Text] Pyongyang October 27 (KCNA)—Now some Western media are describing the foreigners' investment law, the contractual joint venture law and the law on foreign enterprises adopted at the Standing Committee of the DPRK Supreme People's Assembly [SPA] as products of an "economic crisis" of the DPRK.

Some Western newspapers and news agencies added to this tone that the DPRK had to choose "opening" to "tide over the economic crisis" despite "apprehensions" for "ideological pollution" from the outside.

This is a wrong comment entirely attributable to the poor knowledge of the authors about the DPRK.

As far as the "economic crisis" mentioned by the bourgeois hack writers is concerned, there has never been such a thing in the DPRK.

The line of building an independent national economy which the Workers' Party of Korea and the DPRK Government have consistently maintained gives eternal vitality to the economic development of the nation as it is based on the nation's inexhaustible natural resources and on science and technology suited to its specific conditions. In particular, the policy of the chuche orientation, modernization and scientification of the national economy which was laid down at the sixth congress of the WPK and has been energetically promoted in all domains is giving strong impetus to economic development.

As for the "opening" clamored about by hack writers of the West, the DPRK has never closed the door. The recent step, therefore, cannot be regarded as "a new step for opening."

It is the reality of the DPRK that the national economy has increased immensely in scale and economic sectors have become diversified. These realistic conditions demand that the scope of external economic relations be further expanded.

As everyone knows, the DPRK has established multifaceted economic ties including trade with many countries of the world with differing systems and develped them extensively on the principles of complete equality mutual benefit, and reciprocity which is in mutual interests.

The three laws adopted by the SPA Standing Committee of the DPRK mean that an aspect of external economic relations developed by the DPRK so far has been put into laws officially.

As to "apprehension" for "ideological pollution" mentioned by the Western media, such "apprehensions" have nothing to do with the DPRK. They must know that any alien wind has always been powerless through history with the people in the northern half of Korea who have been firmly armed with the geat chuche idea

It is a big mistake if they made such comment in the hope of seeing some "ideological pollution" in the "DPRK."

The purpose of the DPRK is to develop economic relations with other countries on the principles of complete equality and mutual benefit. Silly comments would ony reveal the poor knowledge of the authors about the independent DPRK.

South Korea

Clinton Promises No Change in Relations

SK2010052092 Seoul YONHAP in English 0231 GMT 20 Oct 92

[Text] Seoul, Oct. 20 (OANA-YONHAP)—Bill Clinton promised South Korea's Democratic Party (DP) leader Kim Tae-chung there would not be any change in Washington's friendly relations with and policy toward Korea even if he takes over the White House, DP spokesman said Tuesday.

Clinton sent a personal letter through his policy director Christopher S. Hylland last Sept. 17 promising that U.S. troops will remain in Northeast Asia at present level as long as North Korean threat lingers and that bilateral trade must continue to increase, spokesman Hong Sa-tok said.

He was commenting on Foreign Ministry report to the National Assembly that Washington may attempt troop scaleback and engage in protectionist trade if Clinton and his Democrats take over the administration.

Clinton said he wants to pick up on the idea of pan-Asia radio network proposed by former U.S. President Ronald Reagan, Hong said.

"Co-chairman Kim sent a message to Clinton last June emphasizing the need for U.S. troop presence and relaxation of bilateral trade friction, and Clinton recorded the message in his policy materials," Hong claimed.

"Clinton made the promise, and we believe he will definitely keep it," he said.

First Deficit in Machine Trade With U.S. Noted

SK2410052492 Seoul YONHAP in English 0403 GMT 24 Oct 92

[Text] Seoul, Oct. 24 (YONHAP)—South Korea suffered the first ever deficit in machinery trade with the United States this year, the Korea Association of Machinery Industry (KOAMI) said Saturday.

Korea's shipments to the United States stood at 5.65 billion U.S. dollars in the January-July period, some 355 million dollars less than 6.01 billion dollars Korea spent for imports, the association said.

Korea's machinery trade deficit with the United States this year was the first one since 1980 when the association started compiling statistics on machinery trade.

Korea reaped 335 million dollars to 4,075 million dollars of surpluses a year in the bilateral machinery trade from 1980 to 1986 and the surplus rose to 5.9 billion dollars and 6.2 billion dollars in 1987 and 1988, respectively.

However, Korea's surpluses gradually dulled to 3.5 billion dollars in 1989, 2 billion dollars in 1990 and 597 million dollars in 1991.

Korea's machinery trade deficit in the same period was much higher—1,732 billion dollars—if the nation's major export items such as electronics and ships were excluded from the bookkeeping, the association said.

The nation was in the black in machinery trade, excluding electronics products and ships, with the United States until 1989 but the U.S. side started to enjoy surpluses worth 54 million dollars in 1990 and 1,334 million dollars last year.

The deficit in the bilateral machinery trade without electronics goods and ships grew 71.8 percent during the first seven months this year over the same period of last year, surpassing the deficit for the entire last year.

An association official expressed concern that the recent U.S. Government's preliminary ruling recognizing dumping charges against Korean electronics exports would worsen the situation.

China Now Major Agricultural Product Supplier

SK2510054992 Seoul THE KOREA HERALD in English 25 Oct 92 p 8

[By staff reporter Kim Su-yong]

[Text] China has emerged as a major agricultural product exporting powerhouse to Korea, challenging the United States for first place by inundating the Korean market with cheaper agricultural and fisheries items.

At the same time, farmers have clamored for steps for protection against a flood of cheap but low-quality agricultural products which they fear could undermine the foundation of the nation's agricultural industry.

China drew scant attention until 1988 when Korea imported $256 million worth of agricultural produce from the communist nation.

In recent years, the market share of Chinese agricultural products in Korea has surged, with China's exports swelling about 10.9 percent from 1990 to $1.05 billion last year.

Chinese agricultural exports to Korea were $920 million in the first nine months of the year, up 12.8 percent over a year earlier, according to figures recently released by the government.

Surprisingly, nine items from China out of 20 major agricultural, fisheries and livestock products have taken up more than 50 percent share of the Korean market in the first eight months of the year.

Official figures indicate that $17.4 million worth of dried vegetables, 91.8 percent of total imports during the January- September period this year, came from China. China exported animal furs worth $3.04 million to Korea, accounting for 96.8 percent of the total.

The market share for Chinese vermicelli was 87.9 percent; red pepper, 81.6 percent; feed corn, 74.3 percent; raw silk products, 68.1 percent; liquors 60.5; silk products, 59.5 percent and Chinese herbs, 45.9 percent.

China's export share to Korea increased from 17.5 percent in 1991 to 20.6 percent in June this year, while that of the United States, Korea's largest agricultural exporting country, declined from 30.6 percent to 29.8 percent.

Industrial analysts and government officials say Korean importers have increasingly turned their import sources from the United States to China in consideration of favorable trade factors such as cheap prices and approximation.

Korea now imports much of its feed corn and raw cotton from China instead of the United States.

Korea's imports from China range from such ingredients for side dishes as sesame seeds and red pepper to Chinese herbs, tobacco leaves and fruits.

If the trend continues, the production foundation of other agricultural items would be seriously undermined by Chinese produce, farmers claim.

Chinese products have a competitive edge in terms of price, government officials say.

The price difference between Chinese and Korean products is about 11-fold for sesame seeds, 14.5-fold for oak tree mushrooms and 5.7 times for dried persimmons.

China is in a more favorable position than the United States and other advanced countries, which have pressured Korea to open up its agricultural market.

China's exports of agricultural produce have grown at an annual rate of about 20 percent in past years, accounting for 20 to 25 percent of total trade volume, according to reports.

The Ministry of Agriculture, Forestry and Fisheries has hurriedly formed a task force to work out steps to protect farmers from severe damage from a deluge of Chinese products.

A spokesman for the National Agricultural Cooperative Federation, a nationwide grouping of farmers, noted that there is a need to strictly implement a system under which imported agricultural products must carry place-of-origin documents, adding that many cheap Chinese items are falsely presented as good-quality Korean ones at expensive prices.

Another problem plaguing authorities is the smuggling of such produce as sesame seeds whose price difference is wide, he said.

The spokesman said customs authorities should have stepped up safety inspection against imported products, citing reports that severely harmful agricultural chemicals, now banned in Korea several years ago, are still in use in China.

The agriculture ministry, in a recent report to the National Assembly, said that it is seeking to amend relevant laws to lift the ceilings of increase rates in tariffs to minimize domestic damage from a flood of imported agricultural produce.

Analysts say that Korea would not find it easy to impose stiffer import barriers as China is expected to demand lower tariffs and the liberalization of agricultural produce in the wake of the establishment of diplomatic ties with Korea.

Yi Sang-ok Departs for CIS Aid Conference

SK2810045292 Seoul YONHAP in English 0307 GMT 28 Oct 92

[Text] Seoul, Oct. 28 (OANA-YONHAP)—South Korean Foreign Minister Yi Sang-ok left for Tokyo Wednesday to attend the third Tokyo conference on assistance to the former Soviet republics.

Yi is to emphasize the importance of political stability in Russia for regional peace and express support for long-term assistance programs.

He will meet with Japanese Foreign Minister Michio Watanabe to discuss details of the Seoul-Tokyo summit planned for Nov. 8 and exchange views on Japanese Emperor Akihito's China visit and the upcoming North Korea-Japan diplomatic normalization talks.

He will also meet with acting U.S. Secretary of State Lawrence Eagleburger to discuss bilateral issues.

Yi will return home Friday evening.

Vladivostok Consulate-General Begins Operations

SK2710082892 Seoul YONHAP in English 0505 GMT 27 Oct 92

[Text] Seoul, Oct. 27 (OANA-YONHAP)—South Korea's consulate-general in Vladivostok begins operation Wednesday from a temporary office in the Vladivostok Hotel, the Foreign Ministry said Tuesday.

Tae Sok-won is acting mission chief until the ministry appoints a consul-general sometime next month.

Vladivostok is the site of the first Korean consulate-general in Russia since Seoul-Moscow diplomatic normalization in September 1990.

Russia is to open a consulate-general in the Korean port city of Pusan.

North Cancels Military Hotline Opening

SK2810090192 Seoul YONHAP in English 0851 GMT 28 Oct 92

[Text] Seoul, Oct. 28 (OANA-YONHAP)—North Korea refused Wednesday to open the promised inter-Korean military hotline next month unless South Korea agrees not to resume its annual "Team Spirit" military exercise with the United States.

The two sides met for their first working-level talks at the truce village of Panmunjom on installing and operating direct lines between their military authorities by the Nov. 6 deadline.

The North Korean officials said that hotline operation was meaningless when South Korea insisted on resuming Team Spirit, according to sources.

Seoul officials insisted on meeting the deadline and suggested the next working contact on Oct. 30 or Nov. 2, but North Korea said it would wait and see how South Korea handles Team Spirit, delaying the contact until after the deadline on Nov. 17.

The two sides adopted a reconciliation agreement at last month's prime ministers' talks which included opening a military hotline within 50 days.

North Korea protested fiercely at an announcement by Seoul and Washington earlier this month at the security consultative meeting that they would go ahead with Team Spirit next year if there was no substantial progress in inter-Korean nuclear talks.

Former Official Reports on North Nuclear Capacity

SK2610123592 Seoul WOLGAN CHOSON in Korean Aug 92 pp 269-71

[Interview with unidentified "Mr. X," the "person responsible" for South Korea's nuclear development program during the Pak Chong-hui administration by Yu Yong-won; place and date not given: "Full- Scale Nuclear Development Can Probably Be Blocked"]

[Text]**We Must Concentrate Our Efforts on Checking the Atomic Reactor**

There are many people who compare North Korea's nuclear development with the nuclear development pursued in South Korea during the President Pak regime in the mid-1970s. From the aspect that nuclear weapons were pursued by securing reprocessing facilities and plutonium, the North resembles the South. Yet the dominant opinion is that nuclear development during the President Pak regime became an accelerant for the North's nuclear development.

The person who knows the most about the characteristics and level of nuclear development was the person responsible for the South's nuclear development at that time, since he controlled the planning and regulation of the South's nuclear development by apportioning the roles of many atomic power experts through secret compartmentalization. On 2 July 1992, I went to this person's house and was able to spend about two hours with him. With some effort, he began to speak on the precondition the questions be limited to those concerning North Korean nuclear development. At his request, I am unable to publish his name or picture.

[Yu Yong-won] North Korea's attempts at nuclear development have been confirmed by the IAEA [International Atomic Energy Agency] inspections. However, there are various opinions concerning their capability.

[Mr. X] Even in North Korea's nuclear development, Yi Sung-ki's methods probably appear. Just as they went forth under the banner of chuche ideology and have put vinylon, an obsolete product, to practical use, so too did North Korea attempt nuclear development without foreign assistance.

Nuclear weapons manufacturing theory is already so widely known that it appears in college textbooks, but when you get right down to it, it is easier to talk about it than to make one. There are many more barriers than the common man can imagine in conducting secret nuclear development independently without the assistance of advanced nations.

[Yu] Many experts point out that in addition to the large-scale reprocessing facility at Yongbyon there must be a small-scale pilot plant hidden somewhere . . .

[X] They are right. Normally the steps in development are from testing laboratory to pilot plant to commercial factory. There is a tendency for each step to grow tenfold in size.

[Yu] Concerning the amount of plutonium that North Korea possesses, there are those who say that they possess an insufficient amount to produce even a single Nagasaki-class nuclear bomb, and then there are those who say that they already possess a sufficient amount to manufacture two nuclear bombs.

[X] Many experts cling to things such as reprocessing facilities, but in reality, an atomic reactor holds the key to the nuclear development problem. If spent fuel is not extracted from an atomic reactor, even if there is a reprocessing facility, it will be useless, will it not? Therefore, the efforts must be concentrated on checking North Korea's atomic reactor.

[Yu] The amount of spent fuel extracted from the 5MW-class experimental reactor at Yongbyon, which has been operational for six years since 1986, is a pressing concern.

North Korea maintains that it has been unable to operate the atomic reactor for the past six years due to technical difficulties and that it will be 1996 before the nuclear fuel piles will be exchanged for the first time. However, there are many South Korean nuclear experts who estimate that the nuclear fuel piles have been exchanged several times and that a vast amount of spent fuel has been extracted.

[X] The key to the problem is still the amount of spent fuel. To really address this problem in detail, I would have to talk some about the old days (of the nuclear development conducted during the President Pak Chong-hui era), so I will not comment in detail any further.

Independent Development of a Triggering Device Is Possible

[Yu] North Korea has admitted to extracting a small amount (several gram units) of plutonium in 1990. To what extent do you feel North Korea has secured plutonium?

[X] Because the amount of plutonium extracted is different according to the operational method of the atomic reactor, it is difficult to say conclusively. Looking at the basis of the IAEA report which said that there is only a single 5 MWe atomic reactor that is operational and that there are 50 MWe and a 200 MWe atomic reactors under construction, it seems that full-scale nuclear development can be blocked if the completion of the atomic reactors currently under construction can be blocked and additional atomic energy construction is kept under control.

[Yu] North Korea can smuggle plutonium into the country from foreign countries. There were reports that North Korea smuggled in 56 kilograms of plutonium from the Commonwealth of Independent States (CIS).

[X] Plutonium can be smuggled in from foreign countries, but I feel that a transaction for that large of an amount would be difficult.

[Yu] The fact that North Korea possesses reprocessing technology has been confirmed through their own admission that they have extracted plutonium. Does not this mean that North Korea's atomic power technology is ahead of the South?

[X] Technically speaking, reprocessing is not all that difficult. Looking back to only the mid-1970s, students were conducting reprocessing in research centers and, of course, in university laboratories. Reprocessing can also be conducted underground in secret. As I mentioned above, an atomic reactor that produces spent fuel is more important than reprocessing. As an atomic reactor cannot be constructed underground, checking is easy.

[Yu] Although they say plutonium has been secured, if there is no triggering device and special detonator like a HMX detonator, they cannot make a nuclear weapon. What is your evaluation of North Korea's technical level in this field?

[X] North Korea can make a triggering device on their own, but without the assistance of China or the Soviet Union, a special detonator will probably be extremely difficult for North Korea to develop independently.

[Yu] We know that it is difficult to develop a triggering device without a high-speed camera, but we have yet to hear anything about North Korea possessing or smuggling a high-speed camera into the North.

[X] It is not impossible to develop a triggering device without a high-speed camera. However, the nuclear weapon that uses a triggering device developed without a high-speed camera will probably be both quite crude and dirty (because of the high amount of radioactive fallout).

[Yu] According to U.S. intelligence, North Korea has conducted a total of about 70 internal detonation tests in the sandy marshes by the Kuryong River at Yongbyon from the mid-1980s to 1990. There are those who say, based on this information, that North Korea has already completed triggering device development. Do you think that 70 testing attempts are sufficient for development?

[X] Internal detonation testing can be conducted not only above ground but underground as well. However, for North Korea to conduct internal detonation testing in that kind of exposed location is beyond expectations. Internal detonation testing is not a test of the destructive power of a high yield detonator. Rather it tests the destructive power of a small "precise" explosion. Thus, it can be conducted even inside a laboratory. Because the level of North Korea's precision machinery is not high, I feel that around 70 tests would be insufficient for nuclear development.

[Yu] How many tests will it take before they are able develop a triggering device?

[X] Well, it might take over a hundred tests. In South Korea's case, where the level of technology in the precision machinery sector is more advanced than the North, it would probably take less than 100 tests to complete development.

[Yu] According to a source familiar with the IAEA, outside of the three hot cells inside the "radiation chemistry laboratory" previously announced by North Korea, there are perhaps seven hot cells inside an "isotope processing facility" . . .

[X] A hot cell itself is not an important facility. As it is harmful if people actually touch materials which emit strong radiation, you need to think of these facilities as isolated rooms where these harmful materials are placed and are worked on with remote-controlled robot arms. I do not believe there is any great significance in whether there is a large number or small number of hot cells.

North Korea's Power Hierarchy Reviewed

SK2410121592 Seoul CHOSON ILBO in Korean 22 Oct 92 p 9

[Report by An Hui-chang on North Korea's power hierarchy as of 9 September 1992, the 44th anniversary of the founding of North Korea]

[Text] Yi Son-sil, who was at the forefront of organizing "the Workers Party of Korea in South Korea" at her old age, ranks No. 22 in North Korea's power hierarchy. Yon Hyong-muk, premier of the State Administration Council [SAC] and the North side's head of the North-South high-level talks, ranks No. 6, while SAC Vice Premier Kim Tal-hyon, who visited South Korea last July, ranks No. 32.

This is based on the power ranking of North Korean leaders as of 9 September 1992, the 44th anniversary of the founding of North Korea. How is the ranking then decided? Whether one occupies a position in the party, in particular in the Political Bureau or in the Secretariat, decisively influences the ranking of one's power in North Korea. Without holding a position in these bureaus, one will be pushed back no matter how high a position one holds in a government organization or in the people's assembly.

Accordingly, it is natural that Yi Son-sil, candidate member of the party Political Bureau, ranks higher than SAC vice premier Kim Tal-hyon.

Such ranking is indicated by the order North Korean media read names of key figures who participate in a major national event, such as party conventions or in ceremonies marking the national founding anniversary, or in a high-ranking official's funeral, when they report such a meeting.

Thirteen members and eight candidate members of the party Political Bureau are at present the center of power in North Korea. Before So Chol, one of the Political Bureau members, died on 30 September 1992, the number of bureau members was 14.

Political Bureau Presidium members—Kim Il-song, Kim Chong-il, and O Chin-u—make up the core of the bureau. There has been no change in these three persons' positions since the sixth party congress in 1980.

Except for these three, there have been many changes in the ranking order. Let us examine this with the first session of the Ninth Supreme People's Assembly as a starting point.

The ranks of the Political Bureau members following the three presidium members are as follows:

No. 4 is Yi Chong-ok, vice president; No. 5 Pak Song-chol, vice president; No. 6 Yon Hyong-muk, premier; No. 7 Kim Yong-nam, foreign minister; No. 8 Choe Kwang, chief of the Army general staff; No. 9 Kye Ung-tae, party secretary; No. 10 Chon Pyong-ho, party secretary; No. 11 Han Song-yong, party secretary; and No. 12 So Yun-sok and No. 13 Kang Song-san, responsible secretaries of South Pyongan Provincial Party Committee.

Yon Hyong-muk was ranked No. 4 at the meeting on the 43d national founding anniversary in September 1991, but returned to his original rank of No. 6 this year. There was no other change in the order from the top to No. 7 Kim Yong-nam.

Choe Kwang was purged in 1969, returned to power in 1977, and was reappointed as chief of Army general staff in 1988. He has undergone not drastic but frequent shifts in rank with Kye Ung-tae, Han Song-yong, and Chon Pyong-ho.

In May 1990, Choe Kwang ranked No. 8, Kye Ung-tae No. 9, Han Song-yong No. 10, and Chon Pyong-ho No. 12 [as published]. However, the order changed in April 1991: Kye Ung Tae ranked No. 8, Chon Pyong-ho No. 9, Han Song-yong No. 10, and Choe Wang No. 11.

It was rearranged in September 1992: Choe Kwang ranks No. 8, Kye Ung-tae No. 9, Chon Pyong-ho No. 10, and Han Song-yong No. 11.

So Yun-sok and Kang Song-san took turns in occupying the lowest seat of the Political Bureau membership. So Yun-sok, however, now maintains the ranking of No. 12, one grade higher than Kang's.

When compared with the list as of May 1990, only Ho Tam and So Chol, who died in May 1991 and in September 1991 respectively, are excluded from the current list.

The Political Bureau members, excepting Kim Il-song and Kim Chong- il, are divided into two groups by origins. O Chin-u, Choe Kwang, and Pak Song-chol, who have careers as partisans, come from army circles, and the others from officialdom.

In particular, Kye Ung-tae, Chon Pyong-ho, and Han Song-yong are anticipated to play core roles in the future Kim Chong-il era, too, in light of their positions as secretaries as well as Political Bureau members.

The Political Bureau Presidium decides on the ranking of key persons and on changing its order. It has been learned that instead of Kim Il-song, Kim Chong-il who is the secretary in charge of organization is now playing the leading role.

According to the general view, minor shifts in rank, not big ones like a purge, are not regarded as results of special circumstances, but regarded as means of proper distribution of power to persons of various origins, including partisans, party members, and normal administrative officials.

As many as nine of Kim and his son's relatives, including Kim Il-song's cousin Kim Chang-chu, are included in the top 35 persons in power in North Korea.

The ranking order of the Political Bureau candidate members after its regular members is as follows:

No. 1 is Choe Tae-pok, secretary in charge of education; No. 2 Choe Yong-nim, vice premier; No. 3 Kim Chol-man, member of the Defense Committee; No. 4 Hong Song-nam, vice premier; No. 5 Hong Si-hak; No. 6 Kim Pok-sin, vice premier; No. 7 Kang Hui-won, vice premier; and No. 8 Yi Son-sil.

Comparing this with the May 1990 list, all remain except Hyon Mu-kwang, who died in February 1992, and Cho Se-ung, who has disappeared since he was dismissed from his position as responsible secretary of the North Pyongan Provincial Party Committee in November 1990.

Choe Tae-pok and Yi Son-sil maintain their 1990 rank, and only minor shifts in rank were made for the others.

In particular, unrevealed activities of Yi Son-sil, whose position has not changed since she was suddenly named as candidate member of the Political Bureau at the sixth party congress in 1980, have been the center of public interest. In the meantime, the recent spy ring incident has revealed her activities during that time.

All candidate members of the Political Bureau, except Kim Chol-man who belongs to military circles, are party members or administrative officials.

The following are profiles of those key figures who rank from No. 23 to No. 35. They follow Yi Son-sil:

Kim Chung-nin, who was once known as a "genius" for operations against the South, ranks No. 23. He was dismissed from his position as secretary in charge of operations against the South after the Aungsan Mausoleum incident in Burma in 1983, and returned to the position as secretary in charge of social organizations in 1988.

Yun Ki-pok ranks No. 24. He is familiar to us since he visited Seoul several times on the occasion of South-North meetings in the early seventies. He is the North side's chairman of the National Alliance for National Reunification and is the secretary in charge of operations against the South.

Kim Yong-sun, who ranks No. 25, is in charge of improving relations with the United States and Japan and is now carrying out active diplomatic activities. Yang Hyong-sop, chairman of the Supreme People's Assembly who arranges dinner when South-North high-level talks are held in Pyongyang, ranks No. 29. Chang Chol, culture and art minister of the State Administration Council who is the most successful among Korean repatriates who have come from overseas to the North, ranks No. 33. Chon Mun-sop, who is well known to us as Kim Il-song's chief guard, ranks No. 34.

N, S To Participate in Environmental Conference

SK2410085192 Seoul TONG-A ILBO in Korean 24 Oct 92 p 2

[Text] For the first time, South and North Korean representatives will both participate in an environment-related international conference. They will participate in the Northwest Pacific Ocean Preservation Conference from 26 to 30 October in Beijing.

The United Nations Environment Program, an affiliated organization of the United Nations, is promoting this conference to preserve the world's ocean environment. Representatives from five Northeast Asian countries—South and North Korea, China, Russia, and Japan—will participate in this conference.

Our country will dispatch three representatives from the Environmental Agency, the Foreign Ministry, and the Ocean Research and Development Institute. It was learned that North Korea will dispatch a vice-director level official from the General Bureau of the Environmental Protection and Land Management, which is in charge of environmental problems.

Participants of this conference have to submit a summarized report of their country's ocean environmental problems. It is expected that material on North Korea's ocean environment will be made public for the first time. The upcoming conference will be the second conference. The first conference was held in Vladivostok in October 1991. North Korea did not participate in the first conference.

DLP Election Management Chief Interviewed

SK2010132992 Seoul KBS-1 Television Network in Korean 1200 GMT 19 Oct 92

[Interview with Chong Won-sik, chairman of the Democratic Liberal Party's Presidential Election Campaign Management Committee, by anchorman Yu Kun-chan in Seoul on 19 October—recorded]

[Text] [Yu Kun-chan] How are you? You were the prime minister before the present neutral cabinet was inaugurated. You were also a university professor for a long time, so you have been out of politics. Accordingly, many people think that your appointment as chairman of the Democratic Liberal Party's [DLP] Election Campaign Management Committee is quite a surprise. We understand that you accepted the DLP's offer after a positive refusal. You must have done some hard thinking before finally deciding to accept the position.

[Chong Won-sik] Yes, I did. As you say I have no experience in politics and political party life, so I was reluctant to accept the offer. However, after much agonizing I made the most important and difficult decision of my life.

[Yu] What made up your mind to accept the command of the DLP Election Campaign Management Committee?

[Chong] I can give many reasons. In a nutshell, however, the DLP was the ruling government party until recently, and there were close relations between the government and the DLP. Thus, I was involved in making government policies through DLP-government consultation meetings. Because of this, I was particularly interested in and was familiar with making policies.

Meanwhile, recent unrest in the DLP led to political unrest, creating unrest among the people. At that time the DLP asked me to join the party because it would be conducive to dissolving the atmosphere of unrest in the party. I thought it necessary for the future of the country to accept the party's request, and this is why I made up my mind to join the party.

[Yu] However, people say that the DLP's appointment of the former prime minister as chairman of its election campaign management committee is aimed at getting direct and indirect support from the government, given the fact that you were prime minister until very recently. Accordingly, people worry that the government's neutrality might be destroyed. What do you say about this?

[Chong] It is natural for them to worry about it. However, I think their fears are groundless for two reasons. The first is that the government's determination to remain neutral is very firm. I know this better than anyone else. The government's determination to conduct the upcoming presidential election fairly is very firm, and I understand that President No Tae-u's withdrawal from the DLP was also based on a firm determination to hold fair elections. For another reason, I do not think our people will tolerate power-backed rigged elections, given their political awareness. If the government's power is involved in the elections, our party will lose. Therefore, the question of power-backed elections has nothing to do with my appointment.

[Yu] What do you think of DLP President Kim Yong-sam personally?

[Chong] I had contact with him on many occasions at party- government consultation meetings while I was prime minister, as well as many personal contacts. Two things impressed me. First, as you know, DLP President Kim Yong-sam has devoted himself to the struggle for the country's democratization. In other words, he has lived and struggled for democratization. I am deeply impressed that he has never given up his original goal of achieving democratization. Second, in our contacts I was deeply impressed with his sincere personality. He is honest and sincere. His character convinces me that he is a reliable leader.

[Yu] As chairman of the Election Campaign Management Committee, during the upcoming campaign you must inform voters of candidate Kim Yong-sam's strong points and the reason he should be president. What are your strategies and plans for doing this?

[Chong] I have not yet thought in detail about our party's campaign strategy because I just took office today as chairman of the Presidential Election Campaign Management Committee. I will formulate our election campaign strategies after consulting with many people in our party and will campaign in accordance with these strategies. However, I can say clearly now that we will do our best so that the upcoming presidential election will not be fraudulent, rigged, power-backed, or influenced by money, which our people worried about in past elections. A strictly fair election will increase our party's polling score. We will formulate our campaign strategies with this in mind. I should also say that our party has done many things for the future of our country. We have set many policies. We will show them to the people and listen to their judgment. We will willingly accept any criticism from the people on what we ought to do and will humbly accept the people's affirmative assessments, if any. This is to be our party's posture in the upcoming presidential election.

[Yu] In order to win the presidential election, it is important for the party to be in unity and to be in perfect order. However, as seen in the DLP nominations for presidential candidate and the recent political upheaval involving DLP cochairman Pak Tae-chun, people think the DLP still has a problem with its intra-party unity and order. Also, some people think the appointment of as many as 54 people as vice chairmen of the DLP Presidential Election Campaign Management Committee is aimed at preventing DLP lawmakers from leaving the party. What do you say about this?

[Chong] I admit that some people may hold such a view. However, it is difficult to regard a political party as an organization in perfect unity and order. A political party is an organization composed of people with different characters and political views, so we cannot expect a political party to be in perfect unity and order.

However, now that the DLP has entered the struggle for the presidency, I firmly believe that all party members will pool their strength for reconciliation and unity. I felt just this kind of atmosphere when I visited the party today. If and when we pool all of our strength and efforts in such an atmosphere of reconciliation, I firmly believe we will attain good results.

[Yu] Do your remarks mean that you are confident of victory in the presidential election?

[Chong] Not necessarily. I mean that we should do our best in the election. I have lived my life according to the maxim, "Heaven helps those who help themselves." I will do my best to live up to that maxim while shouldering a heavy and difficult assignment. This is all I can say now.

[Yu] Will you stay in political circles, using your appointment as chairman of the committee as an entrance?

[Chong] I can hardly answer this question accurately because I have assumed responsibility only for managing the party's presidential election. As for my future, I will think about it and decide in the future.

[Yu] thank you.

World Bank Says Economy 'Continues To Prosper'

SK2710053492 Seoul THE KOREA HERALD in English 27 Oct 92 p 8

[Text] Despite the recent "growing pains" in the process of transition to maturity, the Korean economy continues to prosper, the World Bank recently said in its country economic memorandum for Korea.

In its biennial report on the Korean economy, the World Bank also pointed out that Korea has experienced wrenching labor strife in recent years and presently suffers from a case of "overheating."

Noting that Korea faces challenges in the areas of labor, trade, finance, technology and social welfare, the World Bank said the fundamentals, however, remain robust and on this basis Korea should continue to prosper over the medium term.

An interesting recent development is the improvement of relations between North and South Korea, which raises the prospect of economic cooperation and perhaps even economic integration in the foreseeable future, it said.

The two economies are complementary in many respects and the combination of the capital and managerial and technological expertise of the South with the labor and natural resources of the North could possibly produce one of the strongest economies within decades, it forecast.

Of course, it continued, there are likely to be adjustment costs as well, especially arising from the need to dismantle the North's inefficient heavy industry sector.

The World Bank report released by the Ministry of Finance yesterday also said the Korean government has successfully pursued a gradual capital market internationalization program since the early 1980s.

While the government is committed to financial market deregulation in principle, the actual speed of implementation will depend on macroeconomic conditions over the next several years, it predicted.

Saying that enhancing productivity will be the key for successful industrial restructuring, the report said one crucial element for the Korean industry is technology development.

Korea made significant progress in promoting technology development during the 1980s, as indicated by the fact that Korea's R&D expenditure as a proportion of the GNP tripled from 0.6 percent to 1.9 percent, which is higher than the R&D ratio in Taiwan, it said.

The World Bank said it is generally believed that the Korean economy will not have serious difficulties in achieving its macroeconomic targets per se, barring major external shocks.

According to the Seventh Five-Year Socio-Economic Development Plan, Korea's GNP growth is targeted at an annual rate of 7.5 percent, and by 1996 per capita GNP is projected to reach above $10,000.

To join the ranks of industrialized countries by the end of this century, Korea should resolve a number of problems, including the labor shortage, liberalization in the agricultural and financial sectors, industrial restructuring, economic cooperation between the South and North Korea, and continued growth.

Deputy PM Presents Plan To Aid Manufacturers

SK2110010792 Seoul THE KOREA HERALD in English 21 Oct 92 p 8

[Text] To bolster the sagging investments in production facilities by manufacturers, the government will provide more than 5 trillion won ($6.38 billion) to them by next June.

The "emergency fund" includes 1 trillion-won foreign currency loan to help finance their purchase of locally manufactured machinery and another 1 trillion won for exporters' investments into plants and equipment.

For small-and mid-sized firms with little access to bank loans due to their lack of collateral, the Korea Credit Guarantee Fund will extend 1.5 trillion won worth of credit guarantees within this year.

Deputy Prime Minister Choe Kak-kyu reported these and other measures aimed at sharpening the competitive edge of the domestic manufacturing industry to President No Tae-u at Chongwadae yesterday.

"Corporate spending on facility expansion and renovation has sharply slowed recently, threatening to erode the economy's growth potential and export capacity," the deputy premier said.

Choe, also minister of economic planning, went on, "These preparatory steps are necessary not to repeat the past failure in fully utilizing the favorable turns in the global business environment."

He was referring to Korea's less-than-satisfactory performance in the mid-1980s by having failed to fully capitalize on the so-called "three-low" benign economic factors—the low international oil prices, interest rates and low value of the dollar against the Japanese yen.

Under the financial support program, the government will call for the commercial banks to extend soft-term loans of 1 trillion won with a maturity of 10 years and an interest rate of 10.5 percent per annum for smaller businesses and 11-12 percent for large companies to help finance their facility investment for export purposes.

The special foreign currency loan for the purchase of Korean-made machinery will be extended by the Korea Development Bank and Industrial Bank of Korea, Choe said. They will carry an even lower annual interest rate of 5-7 percent or 1-2.5 percentage points above Libor, the same level as applied to ordinary foreign currency loan. Libor, or the London Interbank Offered Rate, is the rate which major banks operating in London pay each other for deposits.

In addition, the government will extend facility loans of 250 billion won to "small but promising" businesses at commercial bank rates between October and December. An additional 230 billion won now under the KDB's loan account planned for the planned shipbuilding sector will be reallocated to the funding of Korean machinery purchases and other general facility investment financings.

Small business designated as subject for the preferential supports, and firms wanting to invest in automation and energy- saving equipment will be added to the borrowers' list for the $1 billion foreign currency loan, scheduled to be extended by the end of next year. The loan ratio, which remained at a financing level of 60-80 percent of the total costs, will also be increased to cover 80-90 percent of the total expenditures, he said.

The latest package of government steps came amid the sagging capital investments by businesses which reduced their spending by more than 10 percent on the average than originally planned, as well as rising business inventories.

Deputy Premier Choe reported in the meeting that the machinery orders and import licenses of foreign machinery, major indicators of facility investments, fell sharply this year, from a year ago.

According to a recent industrial survey on 79 major companies of 16 industrial liens by the Ministry of Trade and Industry, the firms' combined planned investment outlay for the first eight months of 1992 was 9.51 trillion won, but actual spending remained at 8.44 trillion won, or 88.7 percent of initial plan.

Excluding consumer electronics, shipbuilding and nonferrous metals, most industries showed sluggish investments versus original plans. For semiconductors in particular, the spending-against- planned outlay ratio stood at only 67 percent, and the "unrealized spending" ratio for textiles, footwear and petrochemicals also hovered around 20 percent, the business poll showed.

Industrial inventories, meanwhile, far exceeded the optimal level for most industries, except for home electronics and computer chips, according to another MTI industrial survey.

In the first nine months of 1992, the inventory ratio for the textile industry was a whopping 115 percent higher than the optimal level. The excess inventory ratios for other industries were 45 percent for steel; 10 percent for petrochemicals; 31.6 percent for fine chemicals; 97.5 percent for heavy construction equipment; 7 percent for home electronic appliances; and 21.3 percent for tires, it showed.

Burma

Management Committee for National Convention Meets

BK2710014892 Rangoon Radio Burma in Burmese 1330 GMT 26 Oct 92

[Text] The first meeting of the Management Committee of the Convening Commission for the National Convention was held at 1300 today in the conference hall of the Quartermasters General Office, the Ministry of Defense.

It was attended by committee members led by Brigadier General Tin Aye, chairman of the Management Committee of the Convening Commisison for the National Convention and inspector general of the Defense Services of the Defense Ministry.

Speaking at the meeting, the chairman noted that their 36-member committee was formed by the Convening Commission for the National Convention on 15 October 1992 and that this meeting is the first meeting of the Management Committee. He explained that the commission had prescribed 13 tasks and four powers.

He said that our commission is responsible for ensuring smooth management for the delegates to the National Convention from the time of their arrival in their hostels to the time of their departure. The committee has been formed with personnel from government organizations and departments in order to carry out these tasks. He said nine subcommittees would be formed to ensure and facilitate the tasks of the committee.

He said the Management Committee takes pride in its work as the delegates to the National Convention will be coordinating and discussing the basic principles for drafting the new state constitution. He said the committee's work is expansive and that committee members are urged to work to the best of their ability in order to complete their assigned tasks on time. He urged them to present problems to him if there are any and to coordinate in solving problems.

He urged the Management Committee members to discharge their duty with goodwill and the subcommittees to be formed to draw up plans and work systematically in order to facilitate their work. He called on them to economize and to be aware of security in carrying out their respective work.

Next, chairmen, secretary, and members of the newly formed subcommittees explained their respective work plans and programs. The management committee chairman then responded to their discussions and U Hlaing Win, deputy chairman of the Management Committee and deputy minister of mines, discussed necessary changes in the subcommittees. The meeting ended after the discussion by Management Committee members and the closing address by the chairman.

Sein Win Meets International Figures at UN

BK2710141592 (Clandestine) Democratic Voice of Burma in Burmese 1430 GMT 26 Oct 92

[Excerpt] Listeners, we will now present you with the itinerary of the delegation led by Dr. Sein Win, prime minister of the National Coalition Government of the Union of Burma [NCGUB], who is now in New York.

Prime Minister Dr. Sein Win and the delegation met Mr. Steven, deputy editor of THE WASHINGTON POST newspaper at 1100 on 13 October and explained briefly the latest situation in Burma. On the same day at 1500 the delegation held talks with personnel from the Association of International Human Rights Lawyers [AIHRL], which presented Daw Aung San Suu Kyi with a human rights award. Legislative Director (Daniel Amdela) and Legislative Deputy Director (Mr. Marx), from the AIHRL were present at the meeting where Dr. Sein Win explained the strategy and tactics of lobbying at the United Nations General Assembly [UNGA] this year. The AIHRL inquired about the Democratic Alliance of Burma's [DAB] current efforts in drafting a new constitution. The questions were answered and explanations given by Dr. Tuja, chairman of the DAB's committee for drafting the constitution.

The representatives of the NCGUB and the DAB, during their stay in the United States, are planning to hold a meeting on the constitution. The meeting will be arranged by the AIHRL at Columbia University. The AIHRL is planning to submit a report to the UNGA on the human rights situation in Burma.

At 1600 the delegation met with (Mr. Wota), deputy chairman of the World Bank for the Asia-Pacific region. Dr. Sein Win explained the latest political situation in Burma. The deputy chairman explained some projects being carried out in Burma and said there is no plan for further assistance to Burma. He continued to explain about a proper foreign exchange rate specified by the International Monetary Fund [IMF] index, a compatible basic economic policy, and the views on economic development accepted by neighboring countries. He also discussed the importance of the views of the main five financial donors, the G-5, in the World Bank's decision-making process.

At 1000 on 14 October, Dr. Sein Win met and held discussions with personnel of the U.S. State Department's office on Asia. In the evening, Dr. Sein Win held a meeting with the assistant secretary of state for Asia-Pacific affairs.

At 1630 on 14 October, Dr. Sein Win and his entourage attended a meeting organized by the Committee for the Restoration of Democracy in Burma [CRDB]. At the meeting Dr. Sein Win explained the importance of unity in his address. Naing Shwe Kyin, chairman of the DAB, Saw Ba Bin, Dr. Tuja, and U Kyaw Hla also delivered addresses. Dr. Thaung Tun, executive committee member of the All Burma Students' Democratic Front

[ABSDF], explained the present role of the NCGUB, the political movements of the democratic forces, and the relationship between the international community and Burmese democracy.

At 1800 all NCGUB and DAB representatives attended a reception with diplomats and officials from the ASEAN countries—Thailand, Singapore, and Brunei. At the meeting the leaders exchanged views and Dr. Sein Win discussed matters relating to future political and economic cooperation and to winning political support from the neighboring countries.

Dr. Sein Win met and held discussions with Ambassador James Bishop, assistant secretary of the Bureau of Human Rights and Humanitarian affairs, at 1100 on 15 October. Dr. Sein Win expressed his gratitude to the Bureau for US$ 1 million in aid—equivalent to kyat 101 million according to the unofficial exchange rate—for the homeless along the Thai-Burmese border. He also urged them to continue the pressure so a resolution on Burma could be passed at the UNGA. The Ambassador, in his response, said the United States of America will continue to support the Burmese democratic forces. He also advised Dr. Sein Win to approach the neighboring countries to impose economic sanctions on the State Law and Order Restoration Council [SLORC]. The ambassador added that the United States of America is preparing to send its new ambassador to Burma and said that should the appointment be successful, it would be more supportive to regional politics.

Dr. Sein Win, prime minister of the NCGUB, and his delegation attended a luncheon hosted by Amnesty International on 16 October and discussed the world human rights situation. Matters relating to the present situation in Burma and the rights of women were also discussed with one of the directors general of Amnesty International. Apart from Dr. Sein Win and representatives of the national groups, there were also representatives from 35 countries attending the UNGA who took part in the discussions.

In the evening Prime Minister Dr. Sein Win had an interview with one of the news agencies in Chicago on the SLORC's claim that it is carrying out reforms in Burma.

On 19 October Monday morning, the delegation led by Prime Minister Dr. Sein Win and the Indonesian delegation attending the UNGA held a closed door meeting. Similarly, Dr. Sein Win and the student representatives from the national groups also held discussions separately with the delegations from Argentina and Costa Rica that were attending the UNGA. At the meetings Naing Shwe Kyin, leader of the New Mon State Party, explained the present situation in Burma, and representatives of the NCGUB and DAB explained in detail their reasons and objectives for coming to the UNGA.

The representative of the Argentine delegation said they were interested in the relationships of the ASEAN countries, Japan, and China with the Burmese military government, and the activities of the UNDP and other UN organizations in Burma.

The representative of the Costa Rican delegation said they were interested in the U Thant uprising led by students in 1974. They also wanted the UN Security Council to impose an arms embargo on the Burmese military government and said they would support such a resolution. [passage omitted]

Rebel Groups Meet 21-22 Sep, Approve Constitution

BK2510091292 (Clandestine) Democratic Voice of Burma in Burmese 1430 GMT 23 Oct 92

[Text] The first meeting of the Union of Burma National Council [UBNC] was held in Manerplaw 21-22 September 1992. The meeting was attended by ministers of the National Coalition Government of the Union of Burma [NCGUB], elected people's representatives, leaders of the National League for Democracy in the liberated zone [NLDLZ], leaders of the Democratic Alliance of Burma [DAB], and the leaders of the National Democratic Front [NDF]. At the UBNC meeting the constitution was approved.

At the headquarters of the NLDLZ, a ceremony was held at 1000 on 24 September to introduce the chairman of the Democratic Party for a New Society [DPNS] to representatives of some of the national races' revolutionary organizations, delegates from the NCGUB, and the central organizing committee members of the NLDLZ. At that ceremony, U Myint Aung, member of the central organizing committee of the NLDLZ, acted as the secretary of the meeting. U Tin Aung, general secretary of the central organizing committee of the NLDLZ, presented gifts to the guests, who are representatives of some of the national races' revolutionary organizations.

Meanwhile, the following personnel delivered speeches at the ceremony: U Win Khet, vice chairman of the Central Organizing Committee of the NLDLZ; U Tin Aung, general secretary of the Central Organizing Committee of the NLDLZ; U Hla Pe, information minister of the NCGUB; Lieutenant Colonel Chit Tha of the Shan Nationalities Liberation Army; Yebaw Pyone Cho from the Democratic National Army; Yebaw Thaung Soe of the Kayah Newland Party [KNLP]; Colonel Tun Gyaw of the (?All-Karenni Races) Liberation Army; U Myint Zaw, chairman of DPNS; and U Myint Maung, minister for agriculture, forests, and environment of the NCGUB.

The ceremony was successfully concluded at 1130 after lunch was served, followed by entertainment by youth members of the NLDLZ.

Released Detainee Mahn Nyunt Maung Interviewed

BK2810112992 London BBC in Burmese to Burma 1345 GMT 27 Oct 92

[Telephone interview with Mahn Nyunt Maung, general secretary of the Union Karen League, who was recently released from detention, by BBC's U Aung Myint Tun in Rangoon; date not given]

[Text] [Aung Myint Tun] I am pleased to have the opportunity to speak to you, Mahn Nyunt Maung. I would like to ask you what kind of interesting things you would like to tell the people and listeners under these circumstances.

[Mahn Nyunt Maung] I am Mahn Nyunt Maung—writer Maung Sin Kyei. I was detained during October 1991 and was released on 27 April 1992. I would like to speak about the depressing conditions inside the prison, over which I shed many tears. Human rights determine the difference between the world of human beings and that of animals. However, inside the prison we were treated like animals and there were many deaths which should not have happened. And yet, when U Ohn Gyaw [foreign minister of the State Law and Order Restoration Council government] spoke on human rights at the United Nations General Assembly recently, he left out the conditions of the Burmese people—political prisoners and ordinary criminals—inside the prisons.

Many people, such as Saya Maung Thawka, Mahn Da Weik, Ko Tin Maung Win, and Ko Nyo Win, died inside the prison. This should not have happened. U Maung Ko, who could no longer bear being inside the prison cell, committed suicide.

I am focusing on this issue of human rights to inform the entire world, the Burmese military government, and the people of Burma.

Another issue is the National Convention. Persons who should be included are being excluded. The solution cannot be found if the delegates are chosen as in the Ma-Sa-La [Burma Socialist Program Party] Era. Therefore, Daw Aung San Suu Kyi must be included in order to obtain democracy. Such persons must be included in the National Convention.

The civil war in our country is a problem of democracy and peace. The issue of peace must be negotiated with the DAB [Democratic Alliance of Burma]. The battles have started here. As I am speaking to you, U Aung Myint Tun, preparations are going on to attack Manerplaw. After temporary suspension of military operations, they are preparing for a major offensive. So the words of U Ohn Gyaw about measures being taken for peace are inconsistent. Only the Burmese people are acutely aware of this. When I arrived here, I myself became very sad over this matter. We need to stop this civil war, which has been waged for the past 40 years. To do so, we need to hold peace talks with the DAB. Through U Aung Myint Tun, I, who have arrived in the liberated zone, would like to tell the people of the world and Burma that if a democratic state is to be established, thorough consultations with Daw Aung San Suu Kyi must take place along with coordinated work. Then only will we be able to reconstruct our country peacefully and unitedly.

[Aung Myint Tun] I would like to ask a question to which I would like you to just answer briefly. What are the states of health of the detained leaders—U Tin U, NLD [National League for Democracy] chairman; U Kyi Maung, [NLD] leader, and U Win Tin—inside the prison?

[Mahn Nyunt Maung] U Tin U and U Kyi Maung have their separate quarters. I learned that U Tin U's health is not good since he was in Insein prison's Ward No. 1. It is likewise for U Win Tin. Similarly, the health of U Khin Maung Myint and U Tun Khin is as serious as that of U Tin U and U Win Tin. Because there is no medical care and the living conditions are poor. These leaders are dying. This should not happen; it would be a total waste. Therefore, I would like to make an appeal and ask that when political prisoners are released, like us, they too should be released.

[Aung Myint Tun] Thank you very much Mahn Nyunt Maung. [end recording]

Energy Minister Returns From Japan, Indonesia

BK2310150692 Rangoon Radio Burma in Burmese 1330 GMT 23 Oct 92

[Text] A Burmese delegation led by U Khin Maung Thein, minister for energy, who went to Indonesia and Japan to study energy activities, arrived back in Rangoon by air this afternoon.

The minister was welcomed at Rangoon airport by U Than Shwe, ministry for industry-2; Brigadier General Thaung Myint, minister for social welfare, relief, and resettlement; U Tin Tun, deputy minister for energy, and departmental officials; Japanese Ambassador Mr. Tomoya Kawamura; and Mr. I. Dutuk Harbi Dienda, charge d'affaires of the Indonesian embassy.

Brunei, Malaysia & Singapore

Malaysia

PRC Seeking To Participate in Power Project

BK2810064492 Kuala Lumpur BERNAMA in English 0423 GMT 28 Oct 92

[Text] Kuala Lumpur, Oct 28 (OANA/BERNAMA)—China is interested to participate in a hydro-electric project in the east Malaysian state of Sabah on a counter trade basis in exchange for palm oil, Energy, Telecommunications and Post Minister S. Samy Vellu said Wednesday.

Work on the Sungai Liwagu project in Ranau was expected to start in 1994 and the Sabah electricity board might seek Chinese expertise in view of their vast experience in hydro-electric development, he added.

Speaking to reporters after a 45-minute discussion with Chinese Vice-Minister of Power Shi Dazhan at his office, he said China indicated interest in implementing the M$786.74 million (about U.S.$314 million) project on a turnkey basis.

The project, comprising a dam, 165-megawatt power station and 270-km transmission line, was expected to be fully commissioned by 1998.

Samy Vellu said Chinese contractors were also likely to take part in three major power ventures in the east Malaysian state of Sarawak.

A group of Chinese experts were assisting the Sarawak Electricity Supply Corporation (SESCO) in drawing up a detailed design of the Sungai Kota mini-hydro project in Lawas district while another team was commissioned last April to undertake a pre-feasibility study on the coal-fired power station in Kuching.

He added that the final report for the project was expected to be ready by November and the same group would likely be engaged to conduct the feasibility study next year.

Samy Vellu said China was also looking into the implementation of the Medamit small hydro-electric project in Limbang district, in Sarawak, costing M$75 million (about U.S.$30 million).

Meanwhile, Dazhan said China was willing to train more Malaysian engineers, especially in the field of energy, apart from encouraging more joint ventures between contractors of the two countries.

South Korean Army Chief Begins Three-Day Visit

BK2810122292 Kuala Lumpur BERNAMA in English 1104 GMT 28 Oct 92

[Text] Kuala Lumpur, Oct 28 (OANA-BERNAMA)—South Korean Army Chief General Kim Chin-yong Wednesday, visited the Defence Ministry here as part of his three-day official tour of the country.

He held discussions with his Malaysian counterpart General Abdul Rahman Abdul Hamid before being briefed by senior Army officials on the activities of the Malaysian Armed Forces.

Earlier, Gen. Kim inspected a guard-of-honour mounted by 110 officers and men of the First Battalion, Royal Malay Regiment.

Gen. Kim's delegation included three other senior officers of the Republic of Korea (ROK) Army.

The Malaysian King (Yang di-Pertuan Agong), Sultan Azlan Shah, who is supreme commmander of the Armed Forces, has bestowed the "Panglima Gagah Angkatan Tentera (PGAT)" (honorary) award on Gen. Kim.

Defence Minister Mohamed Najib Razak will present the award to Gen. Kim at the ministry Thursday.

Tin Export Quota Helps Reduce Market Surplus

BK2810121692 Kuala Lumpur BERNAMA in English 1106 GMT 28 Oct 92

[Text] Kuala Lumpur, Oct 28 (OANA-BERNAMA)—Agreement by all members of Association of Tin Producing Countries (ATPC) to abide by the export quota is expected to deplete tin surplus in the market and rehabilitate its market.

Deputy Primary Industries Minister Tengku Mahmud Mansor said Wednesday, ATPC members had agreed at the association's meeting in Jakarta recently to extend the supply rationalisation scheme (SRS) for the seventh term from January 1 to December 31 next year.

During the period, tin surplus was expected to be depleted by 7,300 tonnes.

If this target is achieved, tin stock is expected to revert to normal level of about 20,000 tonnes, he said.

Tengku Mahmud said that under the current sixth SRS, tin surplus had been slashed by some 5,400 tonnes as at June this year.

Cambodia

Further Alleged Khmer Rouge Violations Reported

BK2810070792 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 2300 GMT 27 Oct 92

[Text] According to sources at the State of Cambodia's [SOC's] military coordination committee with the United Nations, the Khmer Rouge recently intensified activities in violation of the SOC sovereignty by infiltrating troops into zones under SOC control.

The sources affirmed that in Kompong Cham Province's Kang Meas District on 19 October, Khmer Rouge troops from Division 417 dispatched 50 soldiers to Boeng Thom in sectors WU 25/32, WU 22/34, and in sector WU 29/32, along with a DK-82 gun. In Stoeng Trang District on 19 October at 1400, Khmer Rouge troops, also from Division 417, deployed soldiers in sector 65/48 in Russei Srok area, along with a DK gun and a number of H-107 rockets while a number of soldiers were preparing to cross Route 24.

In Kompong Siem District on 20 October, 20 Khmer Rouge troops from Division 417 and Regiment 62 transported 12 H-107 rockets to hide in (Boeng Sampouch) in sector WU 33/45 north of Kompong Cham provincial town. On 21 October, 50 Khmer Rouge soldiers from the above division brought 10 H-107 rockets to hide in Ta Ong Village in sector WU 48/92 in Stoeng Trang District.

In Kompong Thom Province on 20 October at 1430, and on 21 October at 0700, Khmer Rouge troops from Divison 616 fired five DK-82 shells on Bat Trang Village in sector VV 31/48 and (Ki Vo) area in Stoung District.

Spokesman on Siem Reap Violations

BK2610102692 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 2300 GMT 25 Oct 92

[Text] The government spokesman has disclosed that in Siem Reap-Oddar Meanchey Province, the Khmer Rouge [KR] currently continue to savagely violate the peace accord.

In Varin District on 16 October, between 170 and 200 Pol Pot soldiers gathered at Roloem Village in Sraoch Srang Commune, Angkor Chum District, and attacked our district position in Varin. In Puok District, 15 Pol Pot soldiers entered Trapeang Thom Village in Mrich Commune and robbed people of one cow and a quantity of material. In Angkor Chum, Pol Pot troops fired 10 DK-75 shells on positions in Kouk Dong Commune. There was no damage.

In Svay Leu District, Pol Pot bandits transported ammunition in five vehicles to sector 46/88. Also on 16 October in Sot Nikom District, Khmer Rouge/Pol Pot troops fired on UNTAC [UN Transitional Authority in Cambodia] vehicles returning from Svay Leu District, wounding one driver.

Hor Namhong Views Japanese-Thai Proposal

BK2610101992 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 2300 GMT 25 Oct 92

[Text] On 23 October at 1430 at Chamka Mon State Palace, His Excellency [H.E.] Hor Namhong, foreign minister and member of the Cambodian Supreme National Council [SNC], hosted a cordial luncheon for 41 local and foreign reporters to mark the first anniversary of the Paris peace agreement.

During a friendly chat, H.E. Hor Namhong talked about the balance of the implementation of the Paris agreement over the past year. He pointed out many positive results, such as the program to restore and rebuild Cambodia, the election process, the repatriation of refugees, and others. These were successfully carried out under the lofty and very astute leadership of His Royal Highness Prince Norodom Sihanouk, head of state, father of the Cambodian nation, and SNC chairman, with the goodwill of the State of Cambodia [SOC] side.

However, obstacles hindering the implementation of the Paris agreement remain because the Khmer Rouge side continues to violate the Paris agreement and continues daily to violate the cease-fire. H.E. Foreign Minister Hor Namhong said the destruction of the bridges on National Routes 6 and 21 by the Khmer Rouge were an insolent and arrogant response to the resolution of the UN Security Council [UNSC].

Answering questions by reporters on the Japanese-Thai proposal to set up the ACB [Administrative Consultative Body], H.E. Foreign Minister pointed out that the determining factor is that the Khmer Rouge should implement the peace agreement, and most importantly, the Khmer Rouge should implement the second phase of the cease-fire. After this, the SOC will examine the establishment of the ACB. H.E. Minister stressed that the ACB is not a CC [Consultative Committee]. H.E. Hor Namhong also told reporters that he wishes Thailand and Japan success although he has no hope whatsoever; even within a year or two, that there will be results.

Answering questions on his views about the Khmer Rouge's future, H.E. Minister told reporters that after 15 November 1992, the date set by the UNSC, the United Nations should take firmer measures against the Khmer Rouge because this is the only way to force the Khmer Rouge to return to the peace process. H.E. Minister added that the cochairmen should refer to Article 29 of the Paris peace agreement in order to take appropriate measures against the Khmer Rouge who refuse to implement the peace process.

H.E. Hor Namhong then asked reporters whether we should keep the Khmer Rouge in the peace process. Finally, H.E. Hor Namhong told reporters that one should not give too much importance to the Khmer Rouge; if they refuse to implement the peace agreement, they should be left out of the agreement and we should let the new government solve the Khmer Rouge issue after the election.

First Anniversary of Paris Accord Commemorated

BK2410104392 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1300 GMT 23 Oct 92

[PRACHEACHON commentary: "The Paris 23 October 1991 Accord Should Be Brought to a Successful Completion for the Sake of Peace in Cambodia"]

[Text] 23 October is the first anniversary of the Paris accord's implementation. One still remembers that the signatories to the accord have all pledged their support and reaffirmed their participation so as to allow a country that was torn by a war in the past two decades or so to return to peace, develop along the path of national reunification, and recover its independence, sovereignty, and territorial integrity.

Assessing the development in the past year, apart from the efforts displayed by the international community, all the Cambodian parties—especially the State of Cambodia [SOC] side, which control some 85 percent of the country's territory and population—have made all kinds of concessions with the intention of achieving a genuine and lasting peace for the Cambodia people. In the process of effecting the Paris 23 October 1991 peace accord, the SOC side has created all kinds of conditions for the large-scale operation carried out by some 20,000 military and civilian UN peacekeeping forces from (?a number of countries) of the world.

Seriously executing the implementation according to the accord's spirit, the SOC side, in its first step, provided support for the success of the first phase of the UN advance mission in Cambodia, or UNAMIC, led by His Excellency [H.E.] Ataul Karim. Then comes the second step in Phase Two with the arrival of UNTAC [UN Transitional Authority in Cambodia], comprising the UN peacekeeping force and civilian officials in all sectors, led by UNTAC head H.E. Yasushi Akashi and UNTAC Military Chief H.E. Lieutenant General John Sanderson. In this phase, the SOC side has collaborated with UNTAC and has constantly executed the accord according to its spirit, such as respecting a cease-fire and regrouping, disarming, and demobilizing troops under the UNTAC control and supervision. The SOC side has actively participated in the program of repatriating 350,000 Cambodian refugees as well.

In the last year's application of the Paris accord, only the Khmer Rouge have conducted all manner of maneuvers for the purpose of blocking and ruining the accord.

In sum, during both the first and second phases, the Khmer Rouge have continued to raise the same issue concerning the so-called presence of two million Vietnamese in Cambodia. They have also blatantly demanded the setting up of numerous administrative consultative committees within the structure of the Phnom Penh government—under the pretext of boosting the power of the Supreme National Council [SNC] of Cambodia—that are not specified by the Paris accord.

It is worth noting that while the SOC side has firmly adhered to the accord, the Khmer Rouge are intensifying their military offensives, shelling, shooting, robbing, attacking the SOC's positions, and killing and wounding a great many people.

The Cambodian people are very familiar with the evil, most barbarous nature of the Khmer Rouge. The SOC implementation of the accord last year was a display of its genuine and unswerving goodwill. On the contrary, it was the Khmer Rouge who totally destroyed the peace accord.

With love for the people, the SOC side, the Cambodian People's Party [CPP], the SOC Government, and the Cambodian people are resolved to continue to proceed along the road of the Paris accord since they want a genuine peace for the Cambodian people. The CPP and the SOC Government as well as all children, grandchildren, and great grandchildren will continue to remain grateful to His Royal Highness Prince Norodom Sihanouk—the head of state, the father of the nation, and chairman of the SNC—who has, since his return to the motherland on 14 November 1991, not spared his efforts to actively and wholeheartedly carry out the mission of achieving national reconciliation and reunification with a view to rebuilding and developing the country and restoring peace without bloodshed or a bloody war. The prince himself has also acknowledged the true, just, and human nature of the CPP and SOC Government, especially in the process of implementing the 23 October accord.

Availing ourselves of this opportunity, we would like to convey our deepest thanks and gratitude to the international community, particularly to H.E. Butrus Butrus-Ghali, the UN secretary general; H.E. Yasushi Akashi, the UNTAC head; and the countries that have totally supported the efforts in the search for peace and have strived to break the deadlock ensuing from the Khmer Rouge's being the biggest stumbling block.

Once again, the CPP, the SOC Goverrment, and the Cambodian people wish to reaffirm their support for the Paris 23 October accord not only through their words but also through their concrete actions. We call on the United Nations and the international community to continue to provide encouragement and justice—in keeping with the expectation, aspiration, and hope of the Cambodian people—to the parties that have collaborated and sincerely executed the accord while taking concrete actions against those who are destroying the accord.

Japanese Defense Agency Director Arrives 26 Oct

BK2610075892 Hong Kong AFP in English 0727 GMT 26 Oct 92

[Text] PHNOM PENH, Oct 26 (AFP)—Japanese Defense Agency Director-General Sohei Miyashita arrived here Monday to inspect Japanese troops serving with the U.N. peacekeeping force.

They are the first Japanese troops sent abroad since the end of World War II, while Miyashita is the highest-ranking Japanese official to visit Cambodia for at least 17 years.

Japanese officials here said he was also scheduled to meet head-of-state Prince Sihanouk and the civilian and military commanders of the United Nations Transitional Authority in Cambodia (UNTAC), Yasushi Akashi of Japan and Lieutenant-General John Sanderson of Australia.

Miyashita acknowledged that arranging to send Japanese Self-Defense Forces abroad had been "a long process," and said he was "very happy" to visit them in Cambodia.

The deployment met stiff parliamentary opposition and sparked violent protests in Japan, with opponents saying that it violated Japan's post-war Constitution.

But Cambodians have reacted positively to the presence of Japanese peacekeepers, though the Southeast Asian country was occupied by Japan during part of World War II.

Asked about recent troop build-ups in Kompong Thom and some other Cambodian provinces by the Khmer Rouge, the sole faction that has refused to implement last year's peace treaty, Miyashita replied:

"I would be lying if I said I was not concerned about it. I hope the Khmer Rouge will respect the peace agreement."

He noted that a Japanese-Thai diplomatic initiative was under way to try to persuade the Marxist Khmer Rouge—the largest guerrilla faction—to rejoin the peace process.

Japanese Embassy officials said Miyashita was not expected to become directly involved in the initiative.

Miyashita, who flew in via Bangkok for a three-day visit, headed Monday afternoon to Sihanoukville port, where the 600-man Japanese engineering battalion that arrived over the last month is bringing in equipment.

On Tuesday—after talks with Prince Sihanouk, Akashi and Sanderson—he was to visit the engineers in Takeo Province, south of here, where they are rebuilding roads and bridges.

On Wednesday he was to visit Japanese officers serving as U.N. military observers near the Vietnamese border, Japanese officials said.

Eight Japanese officers arrived September 20 to serve as observers, becoming the first Japanese troops to set foot abroad since World War II.

Japan, eager to start making a political contribution commensurate with its growing world economic role, has contributed heavily to the U.N. peacekeeping operation in Cambodia and to the country's reconstruction.

Flies to Southern Region

OW2610145492 Tokyo KYODO in English 1432 GMT 26 Oct 92

[Text] Sihanoukville, Cambodia, Oct. 26 KYODO—Japanese Defense Agency Director General Sohei Miyashita flew into southern Cambodia Monday [26 October] afternoon to inspect and encourage Japanese Self-Defense Forces (SDF) personnel taking part in United Nations peacekeeping activities.

In an address to some 100 crew members of the Maritime Self-Defense Forces (MSDF) transport ship Miura, Miyashita pointed out the importance of transporting and supplying materials for the Ground Self-Defense Forces (GSDF) corps.

The MSDF corps are supplying water and food to GSDF engineers.

He expressed the hope that MSDF personnel would display their seamanship to complete their mission and live up to the Japanese public's expectations.

Six hundred engineers from the SDF are in Cambodia to repair roads and bridges for the U.N. mission, which is preparing for a U.N.-supervised general election next April or May.

Miyashita arrived in Phnom Penh earlier in the day from Bangkok for a five-day trip.

On Tuesday, he is to meet Yasushi Akashi, head of the U.N. Transitional Authority in Cambodia.

Later the same day, he is scheduled to visit Takeo, south of the Cambodian capital, to mark the beginning of the road repair work by the Japanese troops.

The militarily powerful Khmer Rouge guerrilla group has refused to disarm in defiance of a peace agreement signed in Paris in October last year.

UNTAC Chief Praises Japanese Peacekeeping

OW2710091392 Tokyo KYODO in English 0852 GMT 27 Oct 92

[Text] Phnom penh, Oct. 27 KYODO—Yasushi Akashi, head of the U.N. Transitional Authority in Cambodia, praised Japanese peacekeepers Tuesday for their activities in Cambodia, officials said.

In a meeting with Japanese Defense Agency Director General Sohei Miyashita at the UNTAC headquarters, Akashi reportedly praised the sincere attitude of Self-Defense Forces (SDF) personnel taking part in U.N. peacekeeping operations and said their missions are going smoothly.

Miyashita said Japan's participation in the U.N. activities in Cambodia was meaningful as the nation's first overseas dispatch of military personnel since World War II.

Some 600 engineers from the SDF are in Cambodia to repair roads and bridges. Miyashita is currently in the capital to see their activities first hand.

The UNTAC chief reiterated his resolve to make his utmost effort in bringing the Khmer Rouge faction back into the peace process.

"We will keep the door open for dialogue with the militant group so that all four factions can take part in the general elections slated for next May," Akashi said, according to Japanese officials.

The Khmer Rouge faction has refused to lay down its arms in defiance of a peace accord signed by four rival factions in Paris in October 1991. The group also threatened to boycott the elections. The faction has insisted the U.N. has not yet proved total withdrawal of Vietnamese troops from Cambodia.

Akashi said he will stick to peaceful solutions in order not to be bogged down in a quagmire, such as the Yugoslavian situation, the officials said.

UNTAC military commander John Sanderson said he is optimistic about the UNTAC mission because the guerrilla fighters understand they cannot unify the country by military means, the officials said.

Japanese Self-Defense Force Begins Road Repair

OW2810025092 Tokyo KYODO in English 0219 GMT 28 Oct 92

[Text] Takeo, Cambodia, Oct. 28 KYODO—Engineering troops of Japan's Ground Self-Defense Force began repairing a road Wednesday as their first task as part of a United Nations peacekeeping mission in Cambodia.

A ground-breaking ceremony for the repairing of national highway No. 3 near Takeo, south of Phnom Penh, was held shortly after 10 A.M.

The ceremony was attended by Sohei Miyashita, chief of Japan's Defense Agency, Gen. John Sanderson, the military commander of the U.N. Transitional Authority in Cambodia (UNTAC), and Japanese Ambassador to Cambodia Yukio Imagawa.

The repair of some seven kilometers of the road is expected to be completed by the end of the year, with some 600 troops engaged in leveling, laying gravel, and paving the road with asphalt.

The Japanese peacekeepers will eventually repair all of the 150-kilometer-long national Highway No. 3 linking Phnom Penh and Kampot, as well as the 130-kilometer-long National Highway No. 2 running from the capital through the border with Vietnam.

They will also repair some bridges on the National Highway No. 4 between Phnom Penh and Sihanoukville, which will serve as a transportation route for U.N. peacekeepers.

The Japanese troops are assigned to areas well away from the region controlled by the Khmer Rouge, the militarily strongest among the three groups opposing the Vietnamese-installed Phnom Penh Government.

British TV Correspondents Interview Tie Banh

BK2710053392 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1200 GMT 26 Oct 92

[Text] Recently at the Foreign Military Relations Department, His Excellency [H.E.] General Tie Banh, member of the Standing Committee of the Cambodian People's Party Central Committee, vice chairman of the Council of Ministers, and minister of National Defense, recently granted an interview to British television correspondents on some questions related to the implementation of the 23 October 1991 Paris agreement by the four Cambodian factions.

Answering questions by the British television correspondents, H.E. General Tie Banh said that after the peace agreement was signed in Paris, the State of Cambodia [SOC], desiring to quickly achieve a genuine peace for the Cambodian people, strictly implemented the peace agreement.

The defense minister added that the SOC in cooperation with UNTAC [UN Transitional Authority in Cambodia] has all along paid attention to implementing the agreement correctly, such as in the demobilization. Meanwhile, the Khmer Rouge have carried on their military activities and continue to violate the peace agreement and attack the SOC in provinces such as Kampot, Kompong Cham, and Kompong Thom.

The defense minister stressed that the Khmer Rouge's activities show that they did not want to seek peace for the Cambodian people. On the contrary, they want to prolong the war in Cambodia.

Australian Envoy 'Doubts' KR 'Will Disarm'

BK2610081092 Melbourne Radio Australia in English 0500 GMT 26 Oct 92

[Text] Australia's ambassador to Phnom Penh, John Holloway, believes the Khmer Rouge [KR] will not be joining the Cambodian peace process. Bangkok correspondent Evan Williams reports that a joint plan by Thailand and Japan to bring the Khmer Rouge faction back into the Paris peace accord seem unlikely to succeed.

Next month, the co-chairs of the Paris Peace Conference, France and Indonesia, will lead the meeting of the main architects, including Australia, in a bid to save the accord.

Mr. Holloway, who is Australia's permanent representative to Cambodia's Supreme National Council, says there will be an election in May for at least 85 percent of the country but doubts the Khmer Rouge will disarm and join. Mr. Holloway believes an armed conflict in Cambodia is likely after the United Nations military wind down late next year.

KR Said Poised To Launch Dry Season Offensive

BK2810050292 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 2300 GMT 27 Oct 92

[Text] Uch Kim-an and Im Sothi, deputy ministers attached to the Council of Ministers and spokesmen of the State of Cambodia Government, gave a news conference on the situation in Cambodia to national and international reporters at the Sakal Muoy Hotel on the morning of 27 October.

Uch Kim-an told the reporters about Khmer Rouge [KR] violations since the signing of the Paris accord, saying that between 23 October 1991 and 23 October 1992, the Khmer Rouge launched 244 shellings and 124 attacks on SOC positions, cut off five bridges, carried out 42 infiltrations into villages and communes to plunder the people's property, laid 33 ambushes, shot at eight trucks, planted 18 mines, and conducted 25 shipments of ammunition into the interior of the country. The breaches resulted in 79 people and a Buddhist monk being killed and 140 others wounded, 44 houses and two schools being burnt, and 152 cattle and many possessions being destroyed.

Uch Kim-an also talked about poisonous maneuvers conducted by the Khmer Rouge to constantly block the implementation of the Paris accord, adding that at present the Khmer Rouge are poised to launch a dry-season campaign as they have done in past years.

The conference concluded after Uch Kim-an answered many questions raised by the international reporters.

'Teachers' Question Neutrality of Elections

BK2810052392 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 27 Oct 92

[Text] In a recent interview with a group of reporters in Phnom Penh, the UNTAC [UN Transitional Authority in Cambodia] head has emphatically reaffirmed that whatever problems will arise, elections in Cambodia will be held in May 1993 as scheduled. Regarding the reaffirmation, a group of teachers in Phnom Penh's Tuol Kork suburb wonders how the UNTAC head can organize elections in a situation where Vietnamese are everywhere and a neutral political environment does not exist yet?

Given the situation where Vietnamese aggressor forces are in every nook and cranny and where the UNTAC head uses his rights to arbitrarily arrange the elections, can the polls be conducted freely, correctly, and justly? We, the teachers in Tuol Kork, hold that such elections cannot proceed correctly and justly because the Vietnamese aggressor forces are still occupying Cambodia. At present, the Vietnamese invading forces are commanding the puppet troops and cooperating with the latter in carrying out activities, which stirs up constant insecurity in Phnom Penh and other regions of Cambodia, especially in the zones temporarily occupied by the Vietnamese aggressors and puppets. If the UNTAC head does not control and supervise the Vietnamese aggressors, but prods the people into voting at the gunpoint of Vietnamese living everywhere, the Vietnamese aggressor forces will, in any case, threaten and force the people to vote for the Vietnamese and their puppets. Then this will allow the Vietnamese puppets to further control and run state affairs, thereby enabling the Vietnamese aggressors to continue to invade and occupy Cambodia under the aegis of the puppet regime.

In consideration of the aforementioned facts, organizing the elections at the gunpoint of the Vietnamese aggressors, who are everywhere across Cambodia, signifies that the UNTAC head rubber stamps the Vietnamese aggressor forces' swallowing Cambodia through both invasion and legitimate process.

We view that a neutral political atmosphere should exist in advance to allow for election organization. This means:

1. The Supreme National Council [SNC] should be endowed with a full role according to the Paris accord so as to enable it to fulfill its tasks as the sole legitimate organization and source of power in Cambodia throughout the transition.

2. UNTAC and the SNC should collaborate on the implementation of all the provisions of the accord; they especially should jointly verify the complete withdrawal of Vietnamese aggressor forces from Cambodia and their nonreturn.

3. UNTAC and the four Cambodian parties within the SNC should join forces to verify the disarmament and demobilization of the four Cambodian parties.

Laos

Deputy Premier Returns From Manila Meeting

BK2610100992 Vientiane Vitthayou Hengsat Radio Network in Lao 0500 GMT 26 Oct 92

[Text] Khamphoui Keoboualapha, deputy prime minister and minister of economy, planning, and finance, and his delegation returned to Vientiane at noon on 24 October after participating in a meeting on regional cooperation among six Asian countries—Laos, Vietnam, Thailand, Cambodia, Myanmar [Burma], and China—held in Manila from 21-22 October 1992.

The consultative meeting among the six countries was held for the first time with the initiative of Mr. Morita, director of the Planning Department of the Asian Development Bank. The meeting was aimed at promoting better understanding and higher efficiency in cooperation among the six countries in the region.

At the meeting, the Lao deputy prime minister, Khamphoui Keoboualapha, delivered a speech. The following is an excerpt:

In carrying out the foreign policy, the Government of the Lao People's Democratic Republic [LPDR] has always upheld and implemented the principles of peace, independence, friendship, and cooperation with every country. On economy, the Lao Government has implemented a new economic policy conforming with market mechanisms and expanding cooperation with other countries and foreign investment in Laos. Presently, foreign investments have been included in a total of 256 projects with a combined investment cost of U.S. $448 million. As a result, the income in the business sector increased by about 7 percent per annum last year, while the living conditions of the people have improved gradually.

In order to promote closer and greater cooperation among the six countries, Khamphoui Keoboualapha proposed a number of projects which call for cooperation and investment in the LPDR. They include projects on standardization of transportation routes linking countries in the region, including some important routes allowing Laos access to the sea; construction of hydropower electricity generation plants capable of producing more than 16 million kilowatts of electricity per hour; tourism promotion; anti-flood and drought measures; rural development; encouraging upland farmers to grow rice on lowland; environmental conservation practices; development of human resources; and projects on other issues.

At Wattai International Airport, Khamphoui Keoboualapha was accorded a warm welcome by Vientiane Mayor Oudom Khatthi-gna and a number of high-ranking authorities.

Somlat Chanthamat Guides Provincial Election Work

BK2810062192 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 28 Oct 92

[Text] From 24 to 26 October, Somlat Chanthamat, Political Bureau member of the party Central Committee, head of the Propaganda and Training Board of the party Central Committee, and member of the National Election Committee, inspected and guided the campaigns in preparing for the election of the third National Assembly in Savannakhet and Khammouane Provinces respectively.

On 25 October, he attended a meeting held in Savannakhet Province to review achievements won in carrying out the political campaigns in the second stage. The meeting was intended to create a correct basic political line of thinking in preparation for the election of the third National Assembly. It was attended by members of the provincial electoral committee and heads of district administrations throughout the province. The meeting was held under the chairmanship of Boun-gnang Volachit, governor of the province.

Later, on 26 October, Somlat Chanthamat also attended a meeting held in Khammouane Province. The meeting was held to assess the achievements in carrying out the political campaigns throughout the province, also in the second stage. The meeting was attended by members of both provincial and district electoral committees along with more than 200 personages. It was chaired by Inpong Khai-gnavong, governor of the province.

Somlat Chanthamat addressed the cadres during the meetings on the two occasions. He noted the basic attitudes and stand of the party in organizing the election of the third National Assembly, which is scheduled to be held on 20 December this year. He gave the guidelines for the holding of the election in an appropriate and orderly way and in the manner which guarantees the genuine implementation of the people's democratic rights and freedom.

Earlier, Somlat Chanthamat also inspected and directed the implementation of the preparatory work for the election in Champassak, Luang Prabang, and Sayaboury Provinces.

Philippines

Communists Demand Formal Belligerency Status

HK2710110492 Manila PHILIPPINE DAILY INQUIRER in English 25 Oct 92 p 25

[Report by Juliet M. Labog]

[Text] There is "absolutely no possibility" of resolving the 23-year insurgency through peace negotiations unless the National Democratic Front [NDF] is formally recognized as a belligerent force, the Communist Party of the Philippines [CPP] said.

CPP Chairman Armando Liwanag said President Ramos had already informally granted the NDF such a status when he sent an official emissary to the Netherlands last month to negotiate with communist leaders.

These statements were contained in a document titled "Position of the CPP regarding the GRP (Government of the Republic of the Philippines)-NDF declaration," a copy of which was obtained by the INQUIRER.

"Armando Liwanag" is believed to be a nom de guerre of CPP founder Jose Ma. Sison, who lives in exile in the Netherlands.

Liwanag attacked the government's objection to the NDF's twin demands that formal peace negotiations be held in a "foreign, neutral venue" with an "impartial, international third-party mediator."

These demands, he said, are central to the NDF condition for formal belligerency status.

Liwanang said the government believes the NDF was making these demands to trick it into recognizing the communists as a belligerent force.

"This kind of objection must be met squarely," he said.

Since the NDF is taking the risk in the negotiations, he said, "the GRP must reciprocally take the risk of letting the NDF gain recognition for its inherent status of belligerency already acquired through revolutionary struggle and the building of a nationwide system of organs of political power and a people's army over a considerable part of Philippine population and territory."

"Otherwise, there is absolutely no possibility for the civil war to be resolved through peace negotiations," Liwanag said.

Mr. Ramos has withheld action on the joint declaration calling for formal peace negotiations between the government and the NDF.

He has maintained that the communists do not have belligerency status.

Such a status would put the CPP/NDF and its armed wing, the New People's Army [NPA], on an equal footing with the government before the international community, enabling it to make diplomatic representations and seek assistance from foreign governments.

Such a status would also give the communists authority and control over certain parts of the country where the NPA is established.

Liwanag said the NDF has the "legitimate right and obligation" to seek belligerency status under international law since it represents the "interests of the broad masses of the people," unlike the government which, he said, represents "foreign and domestic oppressors and exploiters."

But while the government hedged on the belligerency issue, Liwanag said, it had already conferred such a status on the NDF when Mr. Ramos sent a government panel headed by Tarlac Rep. Jose Yap to the Netherlands. Yap carried a written authority for conducting exploratory talks with NDF leaders in The Hague last Aug. 31 and Sept. 1.

Sison praised Mr. Ramos then for issuing the written authority.

The exchange of credentials between the government and the NDF panels, Liwanag said, meant the "mutual recognition by the GRP and the NDF of their status as belligerents in a civil war."

"The lead paragraph of the joint declaration puts the GRP emissary and the NDF representatives as well as the conflicting parties on a certain equal footing in the eyes of the world," he said.

This has set a "standard" for all kinds of contacts with the NDF, which "can no longer stand and act below" this standard, he said.

Propose 1-Year Timetable for Talks

HK2710111592 Manila PHILIPPINE DAILY INQUIRER in English 24 Oct 92 p 8

[Report by Juliet M. Labog]

[Text] The National Democratic Front [NDF] has proposed a one-year timetable for formal peace talks with the government.

Rafael Baylosis, former secretary general of the Communist Party of the Philippines, said the NDF leadership wants that three months be devoted to every point in the agenda.

The joint communiques signed by Yap and NDF leaders led by NDF Vice Chairman Luis Jalandoni and Communist Party of the Philippines founder Jose Ma. Sison in the Hague outlined a four-point agenda, namely human rights and international humanitarian laws, socioeconomic reforms, political and constitutional reforms, and ending of hostilities and disposition of armed forces.

However, the National Unification Commission [NUC] has "refined" the agenda and added nine more points. Baylosis said the refinements would have to be submitted to another round of exploratory talks since what the NDF has approved is the joint communique at The Hague.

This developed as NUC Chairman Haydee Yorac said President Ramos was expected to make a "very important announcement" soon on the communist-led NDF and the right-wing Rebolusyonaryong Alyansang Makabayan [Nationalist Reveolutionary Alliance].

Yorac declined to say what this "very important announcement" of the President would be about but she hinted it may have something to do with the NUC's recommendation on the proposed peace talks.

Yorac also disclosed that former Air Force Brig. Gen. Jose Zumel was given a safe conduct pass which has been extended for three more weeks so he can consult with other rightist rebels.

The government has initiated exploratory talks with three rebel groups but up to now, the President has not responded to the results of these talks.

Tarlac Rep. Jose Yap has sat down with Sison and Jalandoni of the NDF while Representatives Eduardo Ermita and Nur Jaafar talked with Moro National Liberation Front Chairman Nur Misuari.

Both the NDF and the MNLF have insisted on a foreign venue for talks which the government has rejected.

Yap, an NUC member, said he sees no reason why the President would not approve the joint declaration with the NDF although he said he may put in his own revisions.

Congressmen Begin Peace Talks With RAM Rebels

HK2710151792 Quezon City ABC-DWET Television in English 1300 GMT 27 Oct 92

[From the "ABC-DWET News Program"]

[Text] House of Representatives Speaker Jose de Venecia and several congressmen have begun meeting with leaders of the Reform the Armed Forces Movement [RAM]. But those talks do not involve renegade Colonel Gringo Honasan. De Venecia said they want to get the views of the intellectuals of the RAM forces.

The speaker said the congressmen conducting their own peace talks are working in tandem with the National Unification Commission [NUC].

Moves are also being made to secure the cooperation of James Brown, a senior commander of the Moro National Liberation Front.

[Begin De Venecia recording] We have worked on the ground rules already with [Defense] Secretary De Villa and with [NUC] Chairperson Haydee Yorac and I am very happy to inform you that the members of the House are moving with patience, enthusiasm, and creativity in dealing with the various forces of the right, the left, and the MNLF. [end recording]

Executive Secretary Welcomes ICO Aid Offer

HK2810021492 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 27 Oct 92

[Text] Executive Secretary Edelmiro Amante has welcomed the assistance offered to the Philippines by the Islamic Conference Organization [ICO] for the restoration of peace in Mindanao. However, Amante said the government has stood firm on its decision to hold any peace talks between Misuari [Moro National Liberation Front chairman] and government officials in the country.

Guidelines Needed on Muslim Leader's Return

HK2810083392 Quezon City ABS-CBN Broadcasting Corporation DZMM in Tagalog 0400 GMT 28 Oct 92

[Text] General Lisandro Abadia, Armed Forces chief of staff, has said that President Fidel Ramos should issue appropriate guidelines to govern a reported plan by Nur Misuari, leader of the Moro National Liberation Front [MNLF], to return to the Philippines. Abadia said that, should peace talks be held in the country, appropriate guidelines should be drawn out limiting Misuari's movements. He said he wants to avoid what happened in 1987 when Misuari further united and strengthened the MNLF's forces during his tour of Mindanao.

The general also added that the government should be prepared to face other challenges to implementing the peace talks from both the left and the right.

Ramos Approves Agenda for Communist Peace Talks

HK2810100592 Hong Kong AFP in English 0919 GMT 28 Oct 92

[Text] Manila, Oct 28 (AFP)—President Fidel Ramos has approved the agenda for peace talks with communist insurgents, a government commission said Wednesday, clearing the last hurdle toward formal negotiations to end the 23-year-old insurgency.

"The National Unification Commission (NUC) is pleased to announce that the office of the president has approved, subject to the refinements of the substantive agenda, the joint declaration" signed by both sides in exploratory talks in the Netherlands last month, the NUC said in a statement.

The guerrillas' political wing, the National Democratic Front (NDF), had demanded that Ramos ratify the declaration and the proposed agenda before formal talks could begin.

The joint declaration commits the two sides to include "human rights, international humanitarian law, socioeconomic reforms, political and constitutional reforms, end of hostilities and disposition of forces" in the agenda for the formal talks.

The NDF represents the Communist Party of the Philippines (CPP) and its New People's Army (NPA), which has been waging a guerrilla war since 1969.

The NUC said it would communicate the development to the Hague-based NDF leaders, but did not immediately set a date for the start of the negotiations.

Ramos created the NUC in July to prepare the government's brief in peace talks which he offered to the insurgents when he was sworn into office on June 30. The NUC is composed of legislators, government officials, and representatives from the church and the private sector.

The NUC has earlier granted safe-conduct passes to unspecified NDF leaders in preparation for the formal talks.

The proposed talks would be the second attempt by the Philippine Government to bring a political solution to the insurgency.

Ramos' predecessor Corazon Aquino held peace talks with the NDF in the 1986 Christmas season but the talks later bogged down on rebel demands for power-sharing.

The NUC also said Ramos has approved the "continuation of exploratory talks" with the exiled Nur Misuari, the founder of the Moro National Liberation Front (MNLF) which set out to carve a separate Moslem state in the southern Philippines with a bloody but unsuccessful rebellion 22 years ago.

Philippine congressmen held preliminary talks with Misuari in Libya earlier this month, and Manila now wants the second phase of these discussions to be held in the Philippines "as a tangible and concrete effort towards national unification," it said.

It thanked the Organization of the Islamic Conference (OIC), Libya and Saudi Arabia for helping initiate the first contacts, and invited the Moslem group of nations "to observe the next phase of exploratory talks that shall hopefully ensue following Mr. Misuari's homecoming."

However Defense Secretary Renato De Villa warned Misuari against staging a comeback without informing the government, saying that he would have to inform the NUC or the congressmen he met with in Libya first.

De Villa was reacting to reports that MNLF forces in the southernmost island of Jolo were already preparing for the arrival of Misuari so they could stage a show of force.

The head of military forces in the southern Philippines, Major General Gumersindo Yap, earlier told reporters he would allow Misuari to roam around only without armed men, adding that he would not allow armed MNLF guerrillas into populated areas.

The government widely considers Moslem separatist groups to be a spent force although sporadic clashes with the military or police still occur.

Muslims, Sympathizers Surrender in Maguindanao

HK2610105292 Manila THE CHRONICLE in English 26 Oct 92 pp 1, 28

[Report by Aris Ilagan]

[Text] Fifty-seven armed regulars and 271 sympathizers of the Moro National Liberation Front (MNLF) in Maguindanao Province surrendered to Army authorities over the weekend, the Philippine Army said yesterday.

Brig. Gen. Oswaldo Villanueva, chief of the Army 6th Infantry Division, said that Kamindon Otto, alias "Datu [Chief] Edon," and 31 of his armed followers and 271 sympathizers surrendered at the Army division headquarters in Camp Siongco, Awang, Dinaig.

Villanueva said that Otto's group, tagged by the military as MNLF strike force, also conducted operations in Sultan Kudarat; Kabuntalan, Datu Piang in Maguindanao; Midsayap, Cotabato; and Cotabato City.

The rebel returnees turned over to Army authorities an AK-47 assault rifle, three M-14 rifles, an Armalite, 12 Garand rifles, two Carbines, four M-79 grenade launchers, three 12-gauge shotguns, a hand grenade, a Springfield rifle, and two 5.56 caliber homemade pistols.

The other group of surrenderees was led by Roxas Dumpao, alias "Kumander [Commander] Roy" with 24 armed followers belonging to the Delta Company of the MNLF-Kutawato Islamic Revolutionary Committee.

The group surrendered to military authorities a .30 caliber light machinegun, four Garand rifles, a 7.62 caliber FAL rifle, an M-14, an M-79 grenade launcher, a .22 caliber revolver, two 5.56 caliber homemade pistols, an Armalite rifle and a 20-gauge shotgun.

Army chief Lt. Gen. Arturo T. Enrile, who flew to Cotobato last Saturday on an inspection visit to the 6th Infantry Division, formally received the 328 rebel returnees in Camp Siongco.

He also reaffirmed the government's commitment and support to the rebels' well-being, particularly on their economic self-reliance.

Enrile expressed the belief that more Muslim rebels are expected to return to the fold of the law because of the ongoing peace initiatives of the government on the secessionist rebels, specifically on MNLF chairman Nur Misuari.

MNLF Leaders Given Passes To Urge Surrender

HK2710124092 Manila Manila Broadcasting Company DZRH in Tagalog 0800 GMT 27 Oct 92

[Text] Eleven high-ranking Moro National Liberation Front [MNLF] were given safe-conduct passes in order to convince 1,506 of their armed supporters in Lanao to surrender.

Armed Forces of the Philippines [AFP] officials said those who received safe conduct passes were led by (Jerhusman Hussien), alias Commander Soler, the military chairman of the Ranao Sur Revolutionary Command. (Hussien) is one of the 30 MNLF leaders who formally surrendered to Defense Secretary De Villa on 17 October.

Brigadier General Romeo Padiernos, AFP Civil Relations Service chief, said (Hussien) offered to help convince his remaining men in Lanao to surrender. Padiernos also said (Hussien) replaced (Abdul Fata Karim), alias Commander Alfata, as the leader of the Ranao Sur Revolutionary Command [RSRC], after the latter surrendered to the officials of the 62d Infantry Battalion in July last year.

Padiernos added that more than 1,000 RSRC rebels have already surrendered with Commander Alfata, and they are trying to convince the last remaining MNLF rebels in Lanao to surrender.

Those who were given safe conduct passes were: (Hussien); (Abdulah Ameron), alias Commander Terry Bangbang, MNLF provincial administrator in Lanao del Sur; (Periba) Abrahim, MNLF training chief; Mike Ysmael, operation chief; (Cusiena) Malumpen, deputy commander of the MNLF Air Defense Command [ADC]; (Gangli Sabamo), MNLF-ADC training chief; (Lominog Lamadaya), MNLF-ADC deputy training chief; Malimbato Bangon, MNLF-ADC field martial; Moncado Lala, RFRC secretary command chief; Jimmy Mupon, commander of the MNLF Security Command Alpha command; and Ali Liwaleo, MNLF District Four chief.

Raul Imperial Named New National Police Chief

HK2810112992 Manila Manila Broadcasting Company DZRH in Tagalog 0800 GMT 28 Oct 92

[Text] President Fidel V. Ramos today formally appointed Raul Imperial, Philippine National Police deputy director general, as the permanent PNP director general. The president made the move in a directive to Interior and Local Governments Secretary Rafael Alunan III.

At the same time, the president also announced the relief of Chief Superintendent Dioscoro Yorro, PNP regional commander in Bicol and Superintendent Rolando Albano, after they were linked to illegal gambling operations in the region.

The president also ordered the National Police Commission and the Presidential Anti-Crime Commission to investigate Yorro's linking former Catanduanes Governor Leandro Vercelles to illegal gambling in the region.

New Power Corporation Chairman Appointed

HK2810021692 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 27 Oct 92

[Text] President Fidel Ramos has appointed Delfin Lazaro as the new National Power Corporation [NAPOCOR] chairman.

Lazaro said in a statement that the antiquated state of most power plants and the plants' low power output may cause NAPOCOR difficulties in supplying Metro Manila and some parts of Luzon with a continuous flow of electricity. He added that 10 25-year-old power plants which constantly breakdown, causing most power outages, are to be replaced soon.

Meanwhile, Ramos said NAPOCOR is scheduled to undergo a major revamping. As proof of his intention, the president has appointed Fedorico Sanchez as one of the new members of the NAPOCOR board. However, it was not mentioned who Sanchez is replacing.

Armed Forces Chief Holds Command Conference

HK2710103592 Manila DZXL Radio Mindanao Network in Tagalog 0700 GMT 26 Oct 92

[Interview with Colonel Rufo de Vera, Armed Forces of the Philippines (AFP) spokesman and chief of the legislative AFP Liaison Office by DZXL reporter Jose Capadocia at Camp Aguinaldo—live]

[Excerpts] The command conference between General Lisandro C. Abadia [Armed Forces of the Philippines (AFP) chief of staff] and his senior staff ended just moments ago at Camp Aguinaldo, and I will report to you on today's three big developments.

First, the general ordered all field commanders to be vigilant and to continue military operations against all threat groups in the country. Second, he expressed optimism about the peace process and ordered his local commanders to initiate the peace process in their own areas. And third, he said he was happy about the confirmation by the Commission on Appointments—this remains for tomorrow and was reported by Colonel Rufo de Vera, AFP spokesman and chief of the legislative AFP Liaison Office, who attended a meeting of the Commission on Appointments this morning—of six generals, including three generals who were involved in a controversy. Colonel Rufo de Vera is with me to make a full report. [passage omitted]

[De Vera] This morning, General Lisandro Abadia held a command conference and ordered his men to be vigilant and to continue pursuing their targets and conducting operations against threat groups. The objective is to gain strategic control by yearend 1992.

Second, he expressed optimism and said he was happy about the pace of the government's peace process. He also directed his commanders to explore in their own areas what the president [Fidel V. Ramos] said in Baguio about setting up mini-NUCs [National Unification Commission—the body in charge of peace negotiations with rebels]. In other words, in their areas of operational responsibility, the commanders can undertake peace initiatives utilizing local government executives and other sectors.

Third, he expressed happiness about what happened at the Commission on Appointments during the hearing on the three generals this morning. NBI [National Bureau of Investigation] Director Epimaco Velasco, in his testimony this morning, virtually cleared the three generals of those so-called derogatory remarks which, according to him, have no basis whatsoever since they are not sworn statements.

Media blew this case out of proportion, and General Abadia expressed the hope that those who attacked the AFP and the generals would give the AFP the chance to bring out the truth. He said he was happy that, as announced by the Commission on Appointments, six of the generals will be confirmed in a plenary session tomorrow. [passage omitted]

[Capadocia] I would also like to mention the names of the six generals who will be confirmed during the plenary session of the Commission on Appointments tomorrow morning: Vice Admiral Mariano J. Dumangcas Jr., flag officer in command of the Philippine Navy; Rear Admiral Proceso C. Fernandez, deputy chief of staff of the Armed Forces of the Philippines; Lieutenant General Gumersindo Yap, commanding general of the Southern Command who controls 60 percent of the AFP's total arms strength; Lieutenant General Arturo T. Enrile, chief of the Philippine Army; Rear Admiral Virgilio Marcelo, superintendent of the Philippine Military Academy; and Major General Romeo R. Zulueta, commanding general of the Visayas Command.

The confirmation of two other generals—Major General Epimeto Logico of the Western Command and Brigadier General Leopoldo Acot, chief of the Philippine Air Force—was put off for the next executive meeting of the Commission on Appointments.

Clashes Between Government, Rebel Forces Decline

HK2810032792 Quezon City ABC-DWET Television in English 1300 GMT 27 Oct 92

[From the "ABC-DWET News Program"]

[Text] Armed confrontations between the Armed Forces of the Philippines [AFP] and communist rebels decreased during the last several weeks. This was learned during the AFP command conference held today at Camp Aguinaldo, Quezon City. The conference was attended by Defense Secretary Renato De Villa and AFP Chief of Staff General Lisandro Abadia. Abadia said the ongoing peace process may have reduced the need for armed confrontations between the two forces. This also reduced the number of casualties.

Government Confirms Generals, Secretaries in Posts

HK2810083292 Quezon City ABS-CBN Broadcasting Corporation DZMM in Tagalog 0400 GMT 28 Oct 92

[Text] The Commission of Appointments [CA] has confirmed the appointment of Mariano Dumancas as vice admiral, Gumercido Yap as lieutenant general, Proceso Fernandez as vice admiral, Arturo Enrile as major general, and Virgilio Marcelo as rear admiral.

The confirmation was made despite heated debates between Senator Ernesto Herrera and Congressman Juan Ponce Enrile with regard the derogatory information given against Marcelo, Yap, and Dumancas by the National Bureau of Investigation [NBI]. Herrera wanted to determine the validity of NBI Deputy Director Mariano Mison's information against Yap, Dumancas and Marcelo. Everything was straightened out when Mison appeared before the CA to explain his side of the issue and to clear the names of the three.

Mison spoke before Senators Herrera, Mercado, and CA Defense Committee Chairman Antonio Cuenco.

Here is part of the testimony given by NBI Deputy Director Mariano Mison in order to clear the names of the three generals.

[Beginning Mison recording in English] ...whether there is a criminal record. There are three [words indistinct]. They have no record of vice, no criminal records, no practices. Those are three accusations put forth by the NBI. [end recording]

Meanwhile, the CA Defense Committee, in order to remove all suspicion on the issue, has asked that the confidential information issued by the NBI be declassified.

Aside from the six generals, the appointment of Health Secretary Juan Flavier and Labor Secretary Nieves Concepcion were also confirmed.

Vice President Urges Halt to Timber Sales

HK2710033592 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 26 Oct 92

[Text] Vice President Joseph Estrada, chairman of the Presidential Anti-Crime Commission [PACC], has asked the Taiwanese and Japanese embassies to tell their countrymen to stop buying illegally cut logs from the Philippines. Estrada said his request aims to stop illegal logging in the country.

Earlier, Estrada said the had PACC confiscated illegally cut logs with a value of 900 million Philippine pesos, which are now being distributed for use in different rehabilitation projects for the victims of lahar and Mt. Pinatubo.

Estada added that the PACC confiscated the illegally cut logs as they were about to be exported to Japan.

Thailand

Cabinet Deliberates National Budget for 1993

BK2710142092 Bangkok Army Television Channel 5 in Thai 1230 GMT 27 Oct 92

[Text] The cabinet today studied the national budget for 1993, which amounted to 560 billion baht, as proposed by the Budget Bureau. Aphisit Wetchachiwa, the Prime Minister's Office spokesman, made his first report on the cabinet meeting after taking over his post. He said the national budget increases 21.6 percent from the 1992 budget. The Education Ministry receives the biggest share—87,472.5 million baht, or 15.7 percent of the total budget. The next biggest share goes to the Interior Ministry—81,726.3 million baht, or 14.6 percent. The Defense Ministry receives 78,941.8 million baht, or 14.1 percent. The smallest share, at 1,730.3 million baht or 0.3 percent, goes to the Justice Ministry.

Aphisit says the net revenue is expected at 534,400 million baht, 25,600 million baht less than the expenditure budget. The shortfall will be balanced by borrowing. The anticipated revenue is net, not a gross figure as in the past, so that revenue figure would be based on reality after deducting tax returns by the Revenue Department and tax rebates for exports.

Budget Approved; Includes Deficit

BK2810041792 Bangkok BANGKOK POST in English 28 Oct 92 p 17

[Text] The Cabinet yesterday approved a draft 1993 fiscal budget of 560,000 million baht with a deficit of 26,000 million baht.

Prime Minister Chuan Likphai said the expenditure budget of the 1993 fiscal year will carry a deficit of some 26,000 million baht as the Government has decided to use the net revenue projection in calculating its income.

Normally, the Government uses the gross revenue projection as the base, which includes tax refunds but the Chuan Administration decided to deduct the projected tax refunds so the Government would know the exact net income it would earn. That results in a deficit in the 1993 fiscal budget.

Mr Chuan said the Cabinet has instructed all ministries to adjust their budget spending plans to be in line with the Government's policy.

The Finance Ministry, in particular, was told to set a master plan for income distribution by clearly defining the exact budget for each development project.

Of the 560,000-million-baht budget, 171,326.3 million baht will be for investment, up 31.1 percent; 37,332.5 million baht for debt repayment, up 33.7 percent and 351,341.2 million baht for regular expenditures, up 16.4 percent.

Deputy Prime Minister Suphachai Panitchphak said the 26,000-million-baht deficit is quite small as it is less than 1 percent of Gross Domestic Product and will not affect the fiscal and monetary discipline.

Finance Minister Tharin Nimmanhemin said the draft budget approved by the Cabinet yesterday is 10,000 million baht higher than the one prepared by the Anan government.

The gross revenue projection is 571,000 million baht, while the net revenue projection will be 534,000 million baht after deduction of value-added tax refunds and duty refunds for exporters.

Mr Tharin said the Government will take loans from state-owned banks to offset the deficit.

"There is also a possibility that there will be no deficit if investment plans are not implemented as scheduled," he noted.

The higher budget will be mainly used for the Government's investment and education development. The portion for investment in infrastructures will increase from 28 percent to 31 percent of the total, he said.

All ministries will have to review and draw up operational plans to implement their projects so that budget management will be more efficient. They are required to submit their plans to the Cabinet by November 17, he said.

Of the budget, the allocation for educational purposes is 109,248.9 million baht or 19.5 percent of the total—the largest portion. It is 22,672 million baht or 26.2percent higher than last fiscal year.

The budgets for other categories are:

Defence—89,296.4 million baht (15.9 percent), up 11,933.4 million baht (15.4 percent).

Debt repayment—62,771.8 million baht (11.2 percent), up 4,419.5 million baht (7.6 percent).

General administration—62,174 million baht (11.1 percent), up 769.3 million (1.3 percent).

Agriculture—57,842.2 million baht (10.3 percent), up 12,334.6 million baht (27.1 percent).

Social services—50,915.3 million baht (9.1 percent), up 12,144.3 million baht (31.3 percent).

Transportation and communications—48,496.9 million baht (8.7 percent), up 17,453.4 million baht (56.2 percent).

Public health—36,154.5 million baht (6.5 percent), up 8,422.8 million baht (30.4 percent).

Internal security—25,276 million baht (4.5 percent), up 5,590 million baht (28.4 percent).

Science, technology, energy and environment—8,917.5 million baht (1.6 percent), up 2,262.5 million baht (34 percent).

Commerce and tourism—5,670.8 million baht (1.2 percent), up 1,247.6 million baht (22 percent).

Industry and mining—1,982.2 million baht (0.4 percent), up 350.6 million baht (21.5 percent).

Decentralization Policy Helps Provinces Develop

BK2810041992 Bangkok THE NATION in English 28 Oct 92 p A2

[By Surachai Chuphaka]

[Text] The Chuan administration outlined its decentralization policy yesterday, allowing provinces more say on spending central government money for their development needs.

Finance Minister Tharin Nimmanhemin said the plan reflects guidelines laid down by Prime Minister Chuan Likphai in his policy statement to Parliament last week. That emphasized more power to local administrators in managing provincial economic affairs through creating their own budgets.

But Tharin said it was important to create a local government framework within which local administrators will manage their budgets, including a local tax system.

The Finance Ministry, the Interior Ministry and the Office of the Budget Bureau will together thrash out the details of the decentralization programme, Tharin added.

For years social critics have strongly argued for greater autonomy for local administrators to manage provincial budgets and reflect the needs of the local people. The devolution proponents also claim the move will reduce opportunities for corruption by centrally-planned administrators.

Tharin admitted that local administrators have to date been allocated very small amounts of central govemment cash to manage themselves.

"Decentralizing power is our most challenging task," he admitted.

The Interior Ministry will have to draw up the details of the decentralization policy first before handing it over to the Finance Ministry to come up with an appropriate tax system for local administrators to control and levy.

At present, provinces receive their funds from central coffers. The money is sent to provincial treasuries, which are managed by governors.

Sub-provincial communities then apply to the provincial level for money to meet development needs.

However there are frequent complaints that requests are not fairly dealt with because decisions are taken by unelected provincial administrators not in tune with local feeling.

"The Interior Ministry from now on will have to reduce its role and allow the local administrators to run their own affairs more independently," said a well-informed source at the ministry.

Deputy Prime Minister Suphachai Phanitchphak said a projected Bt [baht] 25.60 billion budget deficit will not undermine the country's fiscal discipline. He said his definition of a loss of fiscal discipline occurs when the budget deficit exceeded three per cent of gross domestic product for three successive years.

The government has projected its revenue for fiscal 1993 will be Bt534.40 billion, Bt25.60 billion below estimate outgoings. Most of the increased spending is to be by the Education Ministry, the Transport and Communications Ministry and the Agriculture Ministry.

Government spokesman Aphisit Wetchachiwa said about Bt11.50 billion in additional funds will be allocated for rural development in the 1993 fiscal budget. Aphisit said the money will be spent to help the underprivileged and farmers through land reform, increasing water supply, improving infrastructure, and spreading industry into the countryside.

Defense Council To Cut Number of Top Officers

BK2810025192 Bangkok THE NATION in English 28 Oct 92 p A1, A2

[Text] The number of top-ranking officers in all military services will be gradually reduced by about a third through less frequent promotions, the army commander in chief said yesterday.

Gen Wimon Wongwanit told reporters the measure was agreed upon at the meeting of the Defence Council on Monday.

Wimon said the promotion of officers will now take place once a year only. Hitherto, as well as the annual reshuffle in October, the armed forces also gave promotions in an April shake-up. Less frequent promotions will mean the number of senior officers leaving the services through retirement will exceed those being promoted to replace them.

"Our aim is to minimize the excessive number of generals. By having only one reshuffle per year, we expect to steadily cut back a third of them," he said.

Deputy Supreme Commander Gen Watthanachai Wuthisiri added that the Defence Council had not set a timeframe for how long the new policy of one reshuffle per year would be continued.

"It's a broad policy guideline without any timeframe attached. We believe that through this measure, we will be able to curb the number of top officers gradually," he said.

The Defence Council resolution follows an attack by former supreme commander Gen Athit Kamlang-ek on what he described as the "top heavy" structure of the armed forces. Athit, a senior Chat Phatthana MP, made the criticism during the opposition's reply to the government's policy statement on defence in parliament last week.

Watthanachai said that he would consult with the commanders in chief of the three armed forces on the plans to cut back on senior officers.

He said exceptions to the policy for only one reshuffle per year would be made if there was an obvious necessity.

Watthanachai said reducing the number of top-ranking officers should produce substantial budget savings which could be channelled into civilian development projects.

The Supreme Command was also conducting a study to streamline its structure by eliminating redundant units the deputy supreme commander added.

Wimon confirmed earlier reports that the Defence Council will recommend the supreme commander be deprived of the power to mobilize military forces to put down civil unrest. To achieve this the Defence Council will urge the Cabinet to amend Article 4 of the Defence Ministry Regulations Act.

Supreme Commander Woranat Aphichari yesterday welcomed the Defence Council's idea to have the Cabinet, not the military chief, decide how to deal with civil unrest.

"The idea is extremely good. Having a group of men make decisions absolutely is better than having one man do so," Woranat said.

Woranat returned to Thailand yesterday from a trip of China and did not attend the Defence Council's meeting.

The council also voted to advise the Cabinet to abolish the controversial Internal Peacekeeping Director Act under which the prime minister can appoint a military leader to the powerful post.

Meanwhile Deputy Defence Minister Maj Gen [Major General] Sombat Rotphothong said the Cabinet yesterday set the defence budget for the 1992 fiscal year at Bt [baht] 78.9 billion, a 14 per cent increase on the previous year.

Sombat, a Bangkok MP for the Phalang Tham Party, also said that the government wanted to trim down the secret fund for the Armed Forces but added that he would ensure the size of the cutbacks would not affect the military's capability to defend the country.

He added the Cabinet has yet to decide on the extent of the secret fund budget cut.

Sombat resisted calls for the government to declassify the amount funnelled into the secret fund, arguing that the expenditure is regulated and checked by the government under established rules. "It cannot be made public because it involves sensitive national security," he said.

Sombat said military leaders of all three forces appreciated the government's desire to trim secret funds.

"I believe they understand the need and are fully prepared to follow the policy of which they were informed during their meeting with Defence Minister Gen Wichit Sukmak (on Monday)," he said.

Gen Wimon yesterday refused to comment on the government's policy to cut back on the secret funds, saying it was not a proposal from the armed forces.

Sombat said the military budget was being reduced in some areas, with for example the termination of the controversial Khor Jor Kor land resettlement project by the Anan government and cut backs in recruitment.

Budget savings will be used to help finance average salary increases of 20 per cent for all military personnel, he said.

Sombat said the second Anan government's review of the military budget structure was to be implemented virtually intact.

"The defence budget is basically the one worked out by the previous government," he said.

He said that further discussions were needed to set the level of funds earmarked for projects to boost the welfare of lower-ranking personnel, a policy input of the Chuan government.

"Paying more attention to the welfare of the rank and file has so far been a broad policy guideline which will have to be discussed in greater detail with the commanders in chief of the three armed forces," he said.

Prime Minister Chuan Likphai made the need for the better welfare of armed forces personnel a prominent point of his policy statement.

Ministry Wants Insurrection, Riot Laws Amended

BK2710030392 Bangkok BANGKOK POST in English 27 Oct 92 p 1

[Text] The Defence Ministry wants to abolish the Internal Peace-keeping Director Act and amend the Defence Ministry Regulations Act so the use of military force to quell riots and insurrections requires a full Cabinet decision rather than the defence minister alone.

The ministry will forward its proposal to the Cabinet at its meeting today.

Deputy Defence Minister Sombat Rotphothong said yesterday the Defence Council had given its unanimous support for the proposed abolition of the Internal Peace-keeping Director Act and changes to Article 4 (Paragraph 2) of the Defence Ministry Regulations Act.

Article 4 stipulates that the defence minister is empowered to order the use of military force to quell insurrections or riots.

The abolition and proposed amendments will be made in bills forwarded to the Parliament after approval by the Cabinet.

The Internal Peace-keeping Director Act was promulgated in 1976 by the Kriangsak Chamanan government. It was invoked on October 19, 1976 to appoint the internal peace-keeping director.

The order was subsequently abolished by Anan Panyarachun after Gen Suchinda Khraprayun invoked the act to name Supreme Commander Air Chief Marshal Kaset Rotchananin internal peace-keeping director during the May protests.

ACM Kaset ordered Gen Itsaraphong Nunphakdi, then the army commander-in-chief and director of Capital Security Command, to implement the Phairi Phinat (Enemy Destruction) plan to quell the demonstrations.

It was the implementation of Phairi Phinat which led to the bloody crackdown on demonstrators from May 17-20, leaving more than 50 killed and over 200 still missing.

The proposed abolition of the Internal Peace-keeping Director Act and amendments to the Defence Ministry Regulations Act are in line with recommendations made by the panel appointed by the last Anan government to investigate the May crackdown and find ways to prevent similar recurrences.

The committee also recommended a review of two other laws—the 1914 Marshal Act and the 1952 Emergency Act.

During May, Gen Suchinda and Interior Minister ACM Anan Kalintha invoked the Emergency Act to declare a state of emergency in Bangkok and neighbouring areas to ban public gatherings of 10 or more people, to ban publicity or publications which may threaten national security, and to impose a curfew in Bangkok on May 20.

Deputy Defence Minister Sombat said troops drawn to serve in the Internal Peace-keeping Directorate would be reassigned to their original unit after its abolition.

The Defence Council also discussed streamlining the armed forces to make them a small but effective fighting force, said Defence Minister Gen Wichit Sukmak.

Gen Wichit refused to say by how much the forces would be cut, but said the reductions would be done so as not to jeopardise combat readiness or the military's role in defending the country.

He also said the Government intended to improve housing facilities for junior officers.

Editorial on Changes to Law

BK2810042992 Bangkok BANGKOK POST in English 28 Oct 92 p 4

[Editorial: "Military Coping Well With Change"]

[Text] The Defence Council's unanimous support for the abolition of the Internal Peace-keeping Director Act and for the amendment of a provision in the Defence Ministry Administration Act empowering the Defence Ministry to mobilise military force to quell civil disturbances or insurrections is certainly a welcome sign from the conservative military establishment. Although the move came a little belatedly, it certainly shows that changes are gradually taking place and that the military top brass are adjusting themselves to the altered circumstances of the times in which we live.

Amid the breath-taking pace of political, economic and social developments sweeping the world after the end of the Cold War, the two archaic laws, which were promulgated during the height of the Cold War when Planet Earth was divided into Free and Communist worlds, are simply irrelevant and out of touch with the present-day situation. They should best be forever buried deep somewhere in an archive, never to be resurrected.

Obviously, the Internal Peace-keeping Director Act is a disgraceful legacy left behind by the dictatorial regime of Thanin Kraiwichian which promulgated the law in the aftermath of the October 6, 1976 bloody crackdown of leftist and progressive-minded students. The law, which was stated as intended to restore peace and order after the traumatic events has, as proven by its subsequent use, become a tool of draconian elements to suppress or silence the democratic aspirations of the people. The invoking of this dictatorial piece of legislation by former prime minister Suchinda Khraprayun to appoint then supreme commander ACM Kaset Rotchananin as the national peace-keeping director to suppress the pro-democracy demonstrators from May 17-20 provides a clear example of how the law could be abused when power is placed in the hands of a single individual.

Article 4 of the Defence Ministry Administration Act which empowers, among other things, the Defence Ministry to suppress insurrections or riots is neither relevant nor suitable for the post-Cold War role of the Thai military. Again, it constitutes yet another legacy left behind by another dictator of a bygone era, the late Field Marshal Sarit Thanarat. The proposed amendment which seeks to replace the decision of the defence minister by the collective decision of the Cabinet is quite sensible, at least in the sense that several brains are much better than just one. Moreover, the collective decision-making process is in line with the prevalent democratic atmosphere.

While scrapping these two obsolete laws are doubtlessly welcome, it is far from sufficient to guarantee the basic right of peaceful demonstration of the people as enshrined in the International Covenant on Civil and Political Rights. Nor will the move pave the way for the creation of a healthy atmosphere towards the attainment of greater freedom and democratic rule.

Two equally archaic laws, the Emergency Act of 1952 and the Martial Law Act of 1914, must also be abolished. Especially the Emergency Act of 1952 which was invoked by Gen Suchinda, during the May crisis, to declare the state of emergency in Bangkok and its suburbs and, later on, to impose a curfew in Bangkok as well as banning public gatherings of ten people or more. It is the duty and responsibility of the members of Parliament of both the government and opposition camps to see to it that the two acts are disposed of.

Apart from the abolition of the outdated legislation which derecognises the basic civil and political rights of the people, what is equally important and essential is a change of the perception and mentality of the military establishment towards democratic rule. The military establishment may continue to regard itself as the final defender of the country and guardian of the triple institutions of the Nation, the Religion and the Monarchy—an age-old perception that is hard to change overnight. But it is totally wrong for the military to perceive democratic aspirants as trouble-makers and democracy as a threat against the three institutions. It is also equally illusory for the military to see themselves as having a leading political role or being more patriotic than the rest of their countrymen.

Such a perception on the part of some top brass has, unfortunately, been manifested on various occasions in the brutal crackdowns unleashed by the military against the civilian population in the past—purportedly in the name of national security and for the sake of the Motherland.

Apparently, this erroneous perception has been ingrained in generations of our officer corps and to change the perception may not be as easy as amending or abolishing the law. Time-consuming though it might be, this fundamental problem needs to be addressed if our military officers are to become truly professional soldiers with democratic minds.

Deputy Minister's Logging Deals May Affect Trade

BK2310030192 Bangkok THE NATION in English 23 Oct 92 p A4

[Text] Deputy Finance Minister Bunchu Trithong defended himself satisfactorily over his logging deals with Burma, but made a mistake by admitting he had paid Karen guerrillas to ease the transport of logs out of that country, Prachakon Thai Party leader Samak Sundarawet said yesterday.

"Khun [Mr.] Bunchu defended himself satisfactorily about his logging business," Samak said. "But he made a mistake when he mentioned the receipts he had received from the Karen. This could backfire on the government in the future."

Samak, in an interview with reporters at midnight, after the parliamentary meeting on Wednesday, said Bunchu's admission that he has about 100,000 logs in stock, worth billions of baht, would affect Thailand's status in trading with other countries.

Samak then referred to the threat by the United States to remove Thailand's exports from the Generalized System of Preferences (GSP). Thai exports to the United States account for 22 per cent of the country's total exports. Washington wants Thailand to urgently respond to the disputes with the US over intellectual property rights.

Bunchu, a New Aspiration MP for Lampang, was heavily criticized during the government policy debate on Wednesday and called an "economic criminal" for his past involvement in the lucrative logging trade with Burma. In reply, Bunchu said his logging business was "transparent and honest" and in accordance with the then government policy to ban internal logging and encourage the development of new sources in neighbouring countries. He rejected the allegation that his business had led to border conflicts and the abductions of Thais along the border recently. But he admitted his company had paid both the Burmese government and the Karen guerrillas. He said his company had received "receipts" from the two parties and Rangoon had been informed of the "protection fee" paid to the Karen.

Muan Chon Party leader Chaloem Yubamrung said yesterday if Bill Clinton won the US presidential election, his administration was likely to put Thailand on the so-called priority country watchlist under Section 301 of the US trade law, under which Thailand would be subject to trade retaliation. This was because Thailand traded with the repressive Burmese government, he charged.

Government spokesman Aphisit Wetchachiwa said yesterday the government might review border trade between Thailand and Burma if the Opposition could clearly show that it could affect the country's trading status with other countries. Aphisit said he did not think there should be a Cabinet reshume at this stage, as suggested by the Opposition, because Cabinet members could clear themselves satisfactorily of the Opposition criticism.

Debate Over Burmese Logging Deals Viewed

BK2410024092 Bangkok THE NATION in English 24 Oct 92 p A6

[Editorial: "There's More to the Logging Deals Than Meets the Eye"]

[Text] There's more to the logging deals than meets the eye Premier Chuan Likphai defended Deputy Finance Minister Bunchu Trithong's logging deals with Rangoon and rebels along the Thai-Burmese border, saying there was nothing illegal. But several opposition MPs are determined to prove the premier wrong by calling a no-confidence debate against Bunchu—a chief financier of the New Aspiration Party—before the parliamentary session goes into year-end recess.

Bunchu's Sirin Technology Co is among the 50-odd Thai companies holding logging concessions for Burma's eastern border forests where an assortment of rebels are fighting the military regime in Rangoon. The ruling Burmese junta feels it has nothing to lose from selling the concessions, since it has little or no control over the concessioned forests anyway.

The rebels, too, welcome the opportunity to collect "protection fees" from the Thais who need security for their men, equipment and logs on their way to and from the logging areas. The Thais, of course, gladly pay anything the rebels demand. After all, Minister Bunchu indicated that the "protection fees" are tax deductible in Thailand, since his company received "receipts" from the rebels and proudly showed them to Thai tax collectors.

On the surface, everything in the logging deals seems quite straightforward; every party gains something from the wholesale destruction of the Burmese border forests for timber to export to Thailand. And Thailand enjoys an abundant supply of high-quality timber which keeps its furniture industry growing despite the nationwide logging ban in the country since 1989.

However we must ask whether it is really environmentally sound to have the Burmese border forests plundered in this way. The number of hardwood trees felled by the Thai concessionaires each year must be very high. Minister Bunchu told Parliament his company alone has "over 100,000 logs in stock". One need not be an expert to predict that before long the weather in the border areas will be adversely affected, just like the destruction of forests in Thailand has, resulting in serious drought in the summer months and flash flooding and landslides whenever there is a major storm.

The logging along the Burmese border is also morally indefensible. It makes Thailand look like a hypocrite. For while Thailand takes pride in banning domestic logging—and some Thai politicians have even received international awards for this policy—its businessmen are actively cashing in on the Burmese forests, apparently with Thai official and military blessing. It also renders meaningless Thailand's aspiration to "strengthen the role of Thailand as an international forum for environmental conservation for sustainable and balanced development", as the Chuan administration says it in its policy statement.

Even Cambodian leaders now know enough to stop granting logging concessions to foreign companies. The Lao government has also outlawed all timber exports to protect its diminishing forests. It was these developments which sent more Thai loggers scurrying for concessions in Burma. And only those with the right connections in Rangoon and in the rebels' camps can succeed in this highly risky but lucrative venture. This is why some Cabinet members are in favour of "promoting" imports of logs from neighbouring countries to meet the growing domestic demand.

How effective Thai border authorities are in controlling the entry of the Burmese logs, certifying their origin and collecting import duty is another question.

Since the cost of extracting and transporting the Burmese logs to Thailand is relatively high, some opportunists may turn to felling trees in Thai border forests illegally and disguise them as imported Burmese logs.

The above loophole requires immediate government attention. The Chuan administration cannot pretend not to know about it, especially when several Cabinet members had been in the logging business before they joined this government administration.

Arms for timber? During the debate on the policy statement on Thursday, Prachakon Thai party leader Samak Sunthorawet came up with another serious charge that one Cabinet member was involved in secretly supplying arms to both Rangoon and the rebels along the Thai-Burmese border. If this is true then it would make Thailand look even worse since it has always joined the world community in calling for a peaceful settlement of the civil war in Burma. It is inexcusable for any Thai government leader to claim that it is impossible to regulate all the business transactions between Thai logging concessionaires and their partners in Rangoon and on the border.

A no-confidence debate against Minister Bunchu will be an ideal opportunity to question the Chuan administration's complacent attitude toward this whole issue. The policy to promote the importing of timber from neighbouring countries must also be challenged. Thai people have the right to know who is secretly making a fortune from the logging concession, how they secured the deals, and how the forest destruction in Burma will hurt Thailand in the long run.

Prasong To Defend Burma Ties at Regional Meet

BK2810030792 Bangkok THE NATION in English 28 Oct 92 p A6

[Text] Foreign Minister Prasong Sunsiri will have a hard time in Manila tomorrow at the annual Asean-EC Ministerial Meeting, defending Thailand's "constructive engagement" policy with Burma before the 12-member European Community delegation and also justifying why it will be continued.

Thai Foreign Ministry officials until this week maintained that the country's position with regard to the continuation of the controversial policy remains unchanged. Also, they expect the five other Asean member states to stand firm on the same ground when they meet with their counterparts from the EC countries. The European Community has been pressing Asean for the past four years to use its influence in bringing about political changes in Burma.

In an interview last week, Prasong, an elected Bangkok MP from Phalang Tham Party, reiterated that Thailand will continue its policy of "constructive engagement" with Burma. "There will be no change in bilateral (Thai-Burmese) relations," he said.

Just like good friends who help each other, Thailand will help Burma improve its image in the eyes of the world community, he said.

"Thailand is in the position to help its neighbours develop into strong nations with recognized status in the international community," added Prasong.

Surprisingly, Prasong's comments contradicted the stance he took during his election campaign in August when he appeared the strongest critic of the "constructive engagement" policy with Burma's ruling junta, the State Law and Orrder Restoration Council (Slorc).

Slorc has refused to hand over power to the opposition National League for Democracy (NLD), despite the party emerging the winners in the May 1990 elections. Till today, the NLD's Aung San Suu Kyi remains under house arrest.

Prasong, who sided with the prodemocracy movement during the May 17-20 unrest in Bangkok, urged the government of interim prome minister Anan Panyarachun to review its policy and to render "moral support to the people of Burma who fought for democracy." He also mentioned at that time that only a "handful of the powers-to-be" in Burma supported the Burmese junta.

The Asean nations shocked Western countries with its announcement of the "constructive engagement" policy in Kuala Lumpur, July last year. In fact, the West was not really certain what the six Asean nations actually meant or had in mind with regard the term, in their relations with Rangoon.

Asean's main dialogue partners, Australia, Canada, New Zealand, the European Community and the United States were also surprised that Thailand has emerged as the main defender of Slorc against Western pressure for respect of human rights and further democratic development.

Thai arguments are that Western pressure and isolation of Burma will not bring about democratic liberalization in the country. The ruling Burmese junta should instead be engaged in "dialogues" and drawn to join the international community.

Foreign Ministry officials contend that Thailand, which shares the longest common border with Burma, has no other "better alternative," but to apply the policy of "constructive engagement," which would besl suit Thailand and its long-term benefits and interests. They also express strong belief that the stance will force political and economic reform which will be to the benefit of the general Burmese people in the long run.

Thailand was fast to claim credit and success of the policy when Rangoon announced early this year a number of political changes, which included the release of political prisoners and family visits to detained popular leader Aung San Suu Kyi.

Although the Burmese opposition has rejected them as "purely cosmetic" moves to lessen international pressure, Thailand argued that the Slorc has in fact shown signs of "flexibility" and is moving in a "positive direction." Thai officials said they are ready to give the Slorc the benefit of the doubt and will continue to monitor political developments in the country.

"Thailand and Asean are satisfied with the changes in Burma," said one Foreign Ministry official.

The officials believe that current global trends towards democracy will force the Burmese military to loosen its repressive grip over the country and to proceed with political reform, though at a rather slow pace. They compare political system and development in Burma with those in Laos and Vietnam where a rigid single-party socialist government is still governing the countries. The two Indochinese states, they say, are slowly opening up their countries and moving towards political and economic reforms because they were compelled to join the regional and world community.

It is quite clear from Minister Prasong's statements that Thailand will pursue the unwavering role of propping up the Burmese regime in Rangoon. However, he does not rule out the possibility of reviewing the policy in view of changing world situations and circumstances.

"We need to adjust ourselves to new international situations all the time. But the change must not damage our ties ... We cannot afford to live alone, and thus there is a time when we need to review all the factors and see how we can improve upon them," he said.

Thai officials say changes have, in fact, taken place when Asa Sarasin was re-appointed foreign minister in the Anan II caretaker government in June. At that time, the Foreign Ministry decided to discourage official Thai visits, particularly those of ministerial level, to Rangoon where they said some have ended up in "personal economic benefit."

"Some of the (Thai) ministers have gone to Rangoon for personal economic interest and benefit," commented one official.

Instead, the ministry opted to invite Burmese ministers here where they were "engaged in positive dialogues" and "exchanges of views" of the general political development in the region and the world as a whole.

The attempts however did not prove fruitful. According to some officials, those Burmese delegates who were invited to Bangkok just repeated the Slorc's rigid stance and talked in the same uncompromising tone when discussing about Burmese political development.

In Manila this week, Prasong will certainly adopt the same policy as his predecessor and churn out those familiar trite excuses, when he and other Asean ministers are challenged by their EC counterparts on the regional grouping's policy on Burma.

One glaring fact however cannot be ignored. During last week's debate on the government policy in Parliament, the opposition exposed Deputy Finance Minister Bunchu Trithong's involvement in the lucrative logging trade with Burma.

This has given the EC an open opportunity to question Thailand's economic ties with Rangoon. Let us not forget that Bunchu has accepted that he still has 100,000 units of cut Burmese logs in possession.

The Burmese opposition and the West have accused Thailand of raking-in quick profits from Burma and exploiting the country's abundant resources for its own benefits. They say Thailand has been doing business with an unlawful repressive government that has no popular backing. Prasong will definitely face questions in Manila over Thai business deals in logging and fishing with Rangoon.

The European Community at the same time has linked its development assistance to Third World countries and Asean with the issue of human rights, democracy and environmental protection.

Prasong will certainly reiterate Thailand's right and legitimacy to have "fair deals" and "legal trade" with Burma. He will put up a defence that logging trade and exploitation of forests are different issues and that Thai businessmen are granted legal timber concessions from Rangoon.

He will also throw back this question to the EC: While Western countries are criticizing Thailand because of its economic deals with Burma, why haven't they forbidden their own companies from investing there? Foreign Ministry officials say many Western companies are involved in multi-billion dollar businesses and investment such as off-shore and in-land oil and gas exploration and drilling.

Karens Flee Fighting in Burma to Mae Ramat

BK2610034792 Bangkok BANGKOK POST in English 26 Oct 92 p 6

[Text] Tak—About 500 Karen civilians, including children, elderly people and women, fled fighting inside Burma and crossed into Mae Ramat district at the weekend, police said.

The Karen crossed the Moei River into Puyai Poom, Lai Huay and Huay Takong villages along the Thai-Burmese border.

The fighting between 500 Burmese government troops and 200 Karen National Union rebels from Mawpasu camp resumed about five kilometres inside Burma.

About 50 Thai families who have had some trading businesses inside Burma have also returned home because of the fightng, police said.

About 400 Border Patrol policemen on a field training course in the border district have been put on full alert.

Police expect the fighting to escalate as about 1,000 Burmese troops have been moved opposite Mae Ramat district with a plan to attack the Seventh KNU Division at Mawpasu camp while another Burmese force has been deployed close to the Karens' Kawmura camp, opposite Mae Sot district.

Vietnam

U.S. Political Ties, Singapore Ties Viewed

BK2710122792 Hanoi Voice of Vietnam Network in Vietnamese 0015 GMT 21 Oct 92

[Unattributed essay]

[Text] Dear friends: In our open-door foreign policy, we advocate achieving cooperation with all nations on the basis of mutual benefit without any political conditions attached, while resolving differences through negotiations. This stance was strikingly reflected over the past few days as we and some other countries were solving matters of mutual concern. The following are some concrete manifestations:

According to an agreement between SRV Foreign Minister Nguyen Manh Cam and Acting U.S. Secretary of State Eagleburger and U.S. Defense Secretary Cheney, the U.S. presidential envoy, General John Vessey, visited Hanoi from 17-19 October.

During its talks with Vietnamese officials, the U.S. side highly valued Vietnam's full cooperation in providing information on the MIA issue and expressed the belief that some information recently provided by Vietnam would help the United States promptly determine the fate of those U.S. servicemen missing during the Vietnam war.

General Vessey happily told Prime Minister Vo Van Kiet that Vietnam had been very cooperative in providing information and handling reports on MIA. He said: The U.S. side has so far met no obstacles in its search for Americans missing during the Vietnam war. General Vessey said he would fully brief the U.S. President on the results of his visit to Vietnam this time. He also expressed his hope that the goodwill and effective cooperation of both sides on the MIA issue will create good opportunities for building better U.S.-Vietnamese cooperation in the future.

As for Vietnam's stance over the POW-MIA issue, Prime Minister Vo Van Kiet told General Vessey that Vietnam has been and is doing, and will do its utmost to cooperate with the U.S. side in searching for and clarifying the information on missing Americans. This work is consistent with the Vietnamese people's humanitarian tradition. However, had the relations between the two countries been normalized, the question of cooperation and mutual assistance and the search for the information on Americans and Vietnamese missing during the war would have been more convenient.

The prime minister highly appraised the visit of General Vessey and his entourage and expressed the belief that the results obtained would help promote U.S.-Vietnamese relations.

The past few days have also seen Sino-Vietnamese talks at the expert level in Beijing on principles with which to solve outstanding territorial border disputes between the two countries as well as those problems that have arisen since November 1992 when relations between the two countries were officially normalized. These talks, which took place in a friendly and frank atmosphere, helped better the mutual understanding.

Singapore Foreign Minister Wong Kan Seng is now on a visit to Vietnam. This is the first visit to Vietnam of a Singapore foreign minister following the establishment of diplomatic relations between the two coutries on 1 August 1973. This visit will develop the existing multifaceted relations between the two countries.

Following the official visit to Singapore of Council of Ministers Chairman Vo Van Kiet in October 1991 and the visit to Vietnam of Senior Minister Lee Kwan Yew in April 1992, the two countries established relations at the ambassadorial level, with Vietnam setting up its embassy in Singapore in December 1991 and Singapore setting up its embassy in Vietnam in August 1992.

The two sides have promptly developed their high-level agreements and increased the exchange of visits at various levels, and signed a series of important agreements, including an agreement on maritime issues, an agreement on civil aviation, an agreement on trade, and an agreement on promotion and guarantee of investments.

Last September Singapore sent a team of experts to Vietnam to study the infrastructure of some major cities. Singapore is ready to help Vietnam train cadres in various sectors—financial and banking; harbor, airport, and urban management; and so forth. The two sides are undertaking establishment of the Vietnam-Singapore Association for Cooperation and Investment.

At the June 1992 Tokyo conference on the reconstruction of Cambodia, Singapore vowed to set aside $10 million for use as a fund to assist Indochina.

As for economic and trade relations, Singapore is one of Vietnam's number-one trade partners. In 1991 the trade turnover between the two countries amounted to $1 billion or so, this representing 33 percent of Vietnam's total foreign trade value.

From November 1991 to April 1992—the period immediately following the Singapore Government's lifting of its ban on investment in Vietnam—there were 10 Singapore projects licensed with total capital of tens of millions of U.S. dollars. At present, many other Singapore projects are still under consideration.

Many Singapore delegations have come to Vietnam to conduct market surveys while many Vietnamese delegations have travelled to Singapore to exchange and learn experiences.

Party Officials To Visit ASEAN States

BK2010031392 Bangkok BANGKOK POST in English 20 Oct 92 p 6

[By Suphaphon Kanwirayothin in Vietnam]

[Text] In a bid to modernise the thinking of its cadres, the Vietnamese Communist Party will send delegations of senior cadres led by Politburo members on a series of study tours to three ASEAN countries, starting with Thailand.

The three senior party member teams to conduct the "ASEAN economic management" exposure trips to Thailand, Singapore and Malaysia will each comprise about 6-7 provincial party bosses with equal geographical representation of the north, central and south of Vietnam, informed sources said.

The tour to the three member countries of ASEAN, which became the new friends of Vietnam after the Cambodian peace treaty last year, was initiated and planned by the party itself, and not the Vietnamese government, a source quoted the External Relations Department of the party's Central Committee as saying.

The three members of the party's highest decision-making body—Vu Oanh, Pham The Duyet and Nguyen Duc Binh—who will head the ASEAN economic management tour are the new faces in the 13-member Politburo, that were elected in Seventh Party Congress in June last year.

Mr Nguyen Duc Binh, ranked 12th in the Politburo, and in charge of the ideological works of the Central Committee, will head a group of seven party officials, from the southern provinces of Minh Hai and Kien Giang, on a private visit to Thailand from today until October 26.

Mr Binh, described as a moderate in the party leadership, was formerly director of the Nguyen Ai Quoc Academy, the indoctrination school for party cadres.

The delegation asked to look into the fields of hotel management, aqua-culture and food processing in Thailand, sources said.

The Thai Government has informed the Vietnamese Communist Party that it welcomed the group and wanted to help make the visit a success.

The fact that Mr Binh is leading the team to Thailand, which is also the Party's choice of the first leg in this familiarisation tour of ASEAN, indicates the importance that the Party's leadership has placed on the relations with Thailand, said another source who recently met one senior Party member.

"The Party is making the utmost efforts to change the characteristics and the thinking of Party members.

"Such an exposure trip to see with their own eyes the development in ASEAN will help reshape the attitude of the conservatives and hardliners, who will then perhaps make life easier for reformists like Prime Minister Vo Van Kiet," the source said.

The source stressed that the purpose of this tour to ASEAN is strictly to study economic management, without any hidden agenda, as against any initial suspicion of Thailand.

Lao Army Political Department Team Visits

BK2110155192 Hanoi VNA in English 1531 GMT 21 Oct 92

[Text] Hanoi VNA oct. 21 - A delegation of the General Political Department (GPD) of the Lao People's Army arrived here yesterday morning on a working visit at the invitation of the General Political Department of the Vietnamese People's Army [VPA].

The delegation, headed by Sen. Lt. General Osacan Thamatheva, member of the Lao People's Revolutionary Party Central Committee, head of the department and vice minister of defence, had working session the same day with a delegation of the VPA General Political Department. The two sides affirmed that the cooperation and mutual assistance between the two departments have achieved fine results, and actively contributed to strengthening the special friendship and solidarity between Vietnam and Laos.

The Lao delegation was received this afternoon by General Doan Khue, member of the Communist Party of Vietnam Central Committee and minister of national defence. Speaking to his guests General Doan Khue wished for the ever-lasting special friendship and solidarity between the two departments of the two armies.

Meets Do Muoi

BK2610150192 Hanoi VNA in English 1427 GMT 26 Oct 92

[Text] Hanoi VNA Oct. 26—Do Muoi, general secretary of the Communist Party of Vietnam (CPV), received here this afternoon a delegation of the General Political Department (GPD) of the Lao People's Army led by Sen. Lt. General Osacan Thamatheva.

Present at the reception were Sen. Lt. General Le Kha Phieu, secretary of the CPV Central Committee and head of the General Political Department of the Vietnam People's Army, Lao Ambassador in Vietnam Khamphet Phengmuong, and others.

During the reception, General Secretary Do Muoi exchanged views with the Lao guests on the situation in the world and the region, and informed them of the initial results of the process of renovation in Vietnam. He wished that the special solidarity, comprehensive cooperation between the parties, and the peoples of Vietnam and Laos would be constantly developed.

Earlier, the Lao delegation had visited the command of the 7th Military Zone, the garrison of Ho Chi Minh City, the command of the Cuu Long Division Group, and other VPA units.

The Lao Army delegation will leave Vietnam for home tomorrow.

Financial Delegation Visits Laos 15-22 Oct

BK2310072792 Hanoi VNA in English 0558 GMT 23 Oct 92

[Text] Hanoi VNA Oct 23—A group of Vietnamese officials appointed by Prime Minister Vo Van Kiet paid a visit to Laos from Oct. 15-22 at the invitation of Lao Prime Minister Khamtai Siphandon.

The group headed by Phan Van Dinh, vice minister of finance, comprised six high-ranking officials specializing in the field of finance, planning, pricing and government organization.

While there, they compared notes with their Lao counterparts on the renovation of financial, monetary, pricing works, the policy on investment, etc. In Vietnam [as received], they also visited some economic and cultural establishments in Vientiane.

NHAN DAN Delegation Visits Laos 15-22 Oct

BK2310072592 Hanoi VNA in English 0600 GMT 23 Oct 92

[Text] Hanoi VNA Oct 23—A delegation of the NHAN DAN daily visited Laos from Oct. 15-Oct. 22 at the invitation of the editorial board of the PASASON daily.

While in Laos, the delegation, led by Huu Tho, member of the Communist Party of Vietnam Central Committee and editor-in-chief of NHAN DAN, had working sessions with Bouban Volakhoun, editor-in-chief of PASASON, to exchange professional experiences, and discuss a plan for cooperaton between the two dailies.

The NHAN DAN daily delegation also had working sessions with Khamsai Souphanouvong, member of the LPRP Central Committee, deputy minister of economy, planning and finance, and Siho Bannavong, deputy mayor of Vientiane.

The delegation was received by Somlat Chanthamat, Politburo member of the LPRP Central Committee, head of the LPRP C.C's information and training board.

Population Reaches Over 70 million

BK2810064192 Hanoi VNA in English 0557 GMT 28 Oct 92

[Text] Hanoi VNA Oct. 28—According to the United Nations Fund for Population Activities (UNFPA) by Oct. 26, 1992 Vietnam's population reached 70,737,110.

According to the Department for Mother and Child Care and Family Planning under the Ministry of Public Health the continued high growth rate is mostly attributable to the low rate in the use of contraceptives. In many localities, the number of abortions is almost equal to that of births. In particular, in Ho Chi Minh City it is double the number of births.

Vo Van Kiet Meets Ho Chi Minh City Voters

BK2110140192 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 13 Oct 92

[Text] This morning, the Ho Chi Minh City National Assembly delegation held a public meeting with voters after returning from the Ninth National Assembly first session.

Comrade Vo Van Kiet, prime minister; Comrade Phan Van Khai, deputy prime minister; and Comrade Truong My Hoa, president of the Vietnam Women's Federation, attended the meeting. Comrade Truong Tan Sang, acting chairman of the Ho Chi Minh City People's Committee and head of the Ho Chi Minh City National Assembly delegation, reported to nearly 400 voters on the successful results of the Ninth National Assembly first session. He especially stressed the important speech of Comrade General Secretary Do Muoi on fundamental viewpoints of the Communist Party of Vietnam on national renovation and on the construction of a Vietnamese juridical state of the people, by people, and for people. The renovation and the juridical state construction are steps that all sectors, levels, and party members in the entire country and in Ho Chi Minh City must understand fully and implement strictly.

Comrade Prime Minister Vo Van Kiet addressed Ho Chi Minh City voters on three burning issues on the new situation and the prospects of the socioeconomy, government action programs, and anticorruption and antismuggling work.

Many voters heartily welcomed the success of the first session of the Ninth National Assembly and the prime minister's speech. They expressed their hope that the National Assembly resolution would quickly be put into social life.

Doan Khue Briefs Voters on Assembly Results

BK2410102592 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 20 Oct 92

[Text] General Doan Khue, National Assembly deputies from Quang Tri province, and some other National Assembly deputies in the Army recently met with voters in Ben Hai and Huong Hoa districts and members of the Quang Tri provincial people's council, as well as with voters in Kim Son and Tam Diep districts of Ninh Binh Province, Phuoc Tho district of Ha Tay Province, and Ba Dinh precinct of Hanoi, and cadres of the General Political Department, the General Logistics Department, the General Technical Department, the General Department of Economics and Defense Industry, the Finance Deapartment, and the Quyet Thang Army Corps Command.

General Doan Khue and the other National Assembly deputies briefed these people on the results of the first session of the Ninth National Assembly. They analyzed the situation in the country, the economic and national defense tasks, and the actual situation in all organs and units at present. They also pointed out what has been and has not yet been done and the guidelines for the struggle to build up and gradually modernize a regular revolutionary army and make the all-people national defense system firm and strong.

State Bank Reduces Bank Interest Rates

BK2510110892 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 19 Oct 92

[Text] With the prime minister's authorization, on 20 October 1992 the Vietnam State Bank will apply new bank interest rates. In this adjustment, the interest rates of loans and savings are being reduced to match the market price index in the last quarter of 1992.

Together with the adjustment of bank interest rates, on 19 October 1992, the Ministry of Finance also issued a decision to adjust the interest rate of the six-month term government bonds—which are being issued in 30 provinces and cities of the country—from 2.9 percent a month to 2.6 percent a month. This new interest rate will be applied from 20 October 1992.

Rice Export Breaks 13-Year Record

BK2310155392 Hanoi VNA in English 1428 GMT 23 Oct 92

[Text] Hanoi VNA Oct 23—Up to mid-October, Vietnam had exported 1,250,000 tonnes of rice, breaking a 13-year record. The amount marked a threefold increase over the same period last year.

General Food Company 2, the biggest rice exporter, has shipped abroad 340,000 tonnes, of which 60 percent was of high quality with 5 percent of broken rice.

With improved processing equipment, maintenance methods and seed selection, the rate of high-quality rice has risen to 60 percent from just 15 percent in 1990.

Rice Crop Harvest, Planting Figures Cited

BK2510112592 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 21 Oct 92

[Text] As of 15 October, the northern provinces had harvested more than 270,000 hectares of 10-month rice, reaching 21 percent of the planted area. The productivity of the rice crop was fairly good. Together with theharvest, people in those provinces are planting 27,000 hectares of winter food crops, 73 percent of the amount targeted.

At the same time, the southern provinces planted more than 1.286 million hectares of 10-month rice crop, reaching more than 98 percent of the planning. Generally speaking, the rice crop in southern provinces is developing well with less harmful insects and diseases.

Australia

Farmers Call For Action Against France on Trade

BK2410063692 Hong Kong AFP in English 0618 GMT 24 Oct 92

[Text] Canberra, Oct 24 (AFP)—Angry Australian farmers have called for concerted action against France, urging consumers and unions to boycott its products in protest at its role in the breakdown of international trade talks in Brussels. France sells Australia everything from aircraft to champagne and enjoys a substantial trade surplus in bilateral trade.

Government, farm and industry leaders here blame France for what they say is a looming global trade war in the wake of failed talks between European Community and U.S. negotiators.

After coming close to agreement on agricultural trade—the last sticking point in the six-year Uruguay Round of the GATT—U.S. officials walked out of talks claiming the E.C. had reneged on commitments concerning reforming farm subsidies.

The National Farmers Federation (NFF) said Saturday that Australian farmers stand to lose hundreds of millions of dollars as a result. It wants Australian consumers to boycott French goods, unions to consider banning ships carrying French products and the government to review its contracts with French companies.

"We want Australian consumers to take the French actions into account before purchasing French products and the Australian government should re-examine contracts with French companies," NFF deputy director Philip Eliason said Saturday.

"It might not have much economic impact but it would help send a clear message to the French government and to other European Community members."

Bilateral trade figures released by the NFF show Australian exports to France last year totalled 938 million Australian dollars (674 million U.S.) while French imports totalled more than 1.3 billion (940 million U.S.). Wool and coal are the major Australian exports and the major French imports are aircraft, medicines, perfume and alcohol, particularly champagne and brandy.

Eliason said the impasse between the E.C. and the U.S. was a body blow to Australian farmers and an assault on the entire Australian community. Australian farm exports would be caught in the crossfire of an accelerating trade war, he said, blaming France for the breakdown because of its refusal to compromise and negotiate.

"France is effectively holding the rest of the world to ransom," Eliason said. "Their attitude is preventing trade growth worth billions of dollars at a time the world economy is stalling."

The NFF says the hardline French position is not shared by all other E.C. member countries and France should not be allowed by them to set the agenda. However, the Australian government has not called for retaliation against French trade.

Acting Foreign Affairs and Trade Minister Neal Blewett said Friday that it was more important to repair the GATT talks rather than retaliate against France.

"A country like Australia just can't do those things effectively off its own bat," he said.

Efforts should be concentrated on reviving the talks at ministerial level instead of trying to break the impasse at the officials' level. Blewett also warned that a breakdown of the Uruguay Round could see Australia caught in the middle of an escalating trade war.

Trade Minister John Kerin speaking from Berlin last week called for "massive pressure" to be brought to bear on the French, without specifying what kind of pressure.

3d Quarter Inflation Rate Near 30-Year Low

BK2810060092 Melbourne Radio Australia in English 0500 GMT 28 Oct 92

[Text] Inflation in Australia has dropped to its lowest level in nearly 30 years, mainly as a result of the country's recession. Linda Mottram reports from Canberra that figures just released show prices rose overall by less than 1 percent for the year.

[Begin Mottram recording] The Consumer Price Index registered a rise of just 0.1 percent for the three months, July to September, putting Australia's annual inflation rate at just 0.8 percent—down from 1.2 percent on the previous quarter's figures.

The Australian Bureau of Statistics says that 4.2 percent fall in high mortgage interest charges during the quarter was a key factor, as well as lower prices for food and vegetables, consumer credit charges, and pharmaceuticals.

The fall was also registered despite a 9 percent rise in tobacco and cigarette prices during that quarter as the country's government increased taxes on those products. Other prices to rise during the quarter included both the cars and electricity. [end recording]

Fiji

South Pacific States Sign Fishery Agreement

BK2810062292 Melbourne Radio Australia in English 0500 GMT 28 Oct 92

[Text] A number of island nations attending the South Pacific Commission conference in Suva has signed a new fisheries agreement aimed at preserving tuna stocks in the region.

The agreement aims to preserve stocks of yellow fin and skipjack by limiting the number of purse seine vessels from outside the region allowed access to the central and western Pacific.

The agreement has been signed by Nauru, the Federated State of Micronesia, Kiribati, the Marshall Islands, Palau, Papua New Guinea, Solomon Islands, and Tuvalu.

The director of the South Pacific Forum Fisheries Agency, Sir (Peter Keniloria), said fishing nations, including the United States, South Korea, Japan and Taiwan had to understand that Pacific island nations have the right to control access to these exclusive economic zones.

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Since it was established in 1935 as the communications equipment division of Fuji Electric, Fujitsu has almost consistently realized a higher rate of growth than NEC Corporation and Hitachi Ltd. In fiscal 1979, it surpassed IBM Japan to become Japan's premier computer maker. In simple sales Fujitsu was only 37 percent the size of NEC and 6 percent the size of Hitachi in fiscal 1955, but in fiscal 1991 (ending in March 1992), it had grown to have a scale of as much as 80 percent of NEC and 62 percent of Hitachi.

Viewed on a consolidated base, its growth accelerated after fiscal 1989. Along with conducting the largest (consolidated) investment among the Japanese manufacturers in semiconductors, in November 1990 it acquired the English ICL Co. Consolidated account sales in the computer division in fiscal 1991 increased 22 percent over the previous term, becoming 2.5107 trillion yen (73 percent of consolidated sales) and it became the second manufacturer in the world in computers.

Further, by ICL's acquisition in September 1991 of the Nokia Company of Finland, the computer manufacturing group expanded even more. Fujitsu had now become the "grand combined fleet," having become second in the world in computers, accompanied by firms from the United States, England, and Finland. Adding ICL's 109 subsidiaries, the total number of consolidated subsidiaries at the March 1992 closing of accounts had swollen to 340 companies. Although this does not come close to Hitachi's 799 companies, it overwhelms NEC's 86.

Although sales (consolidated) of the company's semiconductor division is sluggish, having declined compared to the previous term by 0.1 percent to 346.5 billion yen, it was shrunk to a smaller gap than NEC's 4.9 percent decline. In this way its consolidated sales have attained 91 percent of NEC. So NEC has now become "within firing range."

Although the Fujitsu side does not openly admit it, behind the "high growth" line is not a little of the "tenacious goal" of shrinking the gap with NEC in sales scale.

There is also an aspect in which the unyielding spirit as a "second son" (relative of NEC) of the old Nippon Telegraph and Telephone Public Corporation family gave rise to the feeling of wanting to "catch up with and surpass" the first son, NEC. This can be gleaned from the bits and pieces of statements by the top management, and there are voices within the company that say "with the total of the computer and the communications divisions, we have already surpassed NEC."

Setting as its goal catching up with NEC in scale is, in itself, not something that should be a problem. However, more remarkable than the fruits of "high growth" is the "price" it entails.

The High "Price"

The price of "high growth" has been particularly high in the past few years.

The amount of funds raised swelled in fiscal 1990 and 1991. Equity finance exceeded 100 billion yen, and became the scale after fiscal 1984.

The significant area where that was put to use was in semiconductors. Semiconductor-related capital investment on a consolidated base in fiscal 1988 was 47 billion yen which was fifth among domestic companies, and this increased significantly after fiscal 1989. In each succeeding year, it was top in the industry, at 147.2 billion yen in fiscal 1989, 138 billion yen in fiscal 1990, and 160.1 billion yen in fiscal 1991.

Moreover, in fiscal 1990, for the purpose of buying out 80 percent of ICL stock, it raised large-scale funds by ordinary bonds and borrowing, and its external fund-raising rose four- or five-fold that of ordinary years to a scale of 441.8 billion yen.

As a result of the sudden expansion of fund raising, Fujitsu's consolidated interest-bearing debts for the end of the March 1992 term exceeded 1.4 trillion yen, more than one-third of its total assets.

External and internal recession pursued this "excessive debt." To the semiconductor slump and price drops was added the slump in computers, and the consolidated business performance for fiscal 1991 fell suddenly. Its consolidated net profit, which had been 82.7 billion in the previous term became a mere 12.2 billion in the March 1992 term.

Although its scale had been small until fiscal 1990, Fujitsu had consistently been beating NEC in consolidated net profit. In 1991, that amount had suddenly dropped to a mere 12.2 billion yen in fiscal 1991 or 0.35 percent of sales. Similar to NEC, which had run up a deficit exceeding 30 billion yen in home electronics, Fujitsu's sales fell suddenly and even ended up being less than NEC's.

Continuing Battle With IBM

The end result was that semiconductor investment had been excessive.

The compound semiconductor plant in Yamanashi had aimed for semiconductors after "silicon" but at a point when the current world market is at the extent of 30 billion yen, it invested on a comparable scale.

Also, in DRAM [dynamic random-access memory] (memory), a huge amount was invested centering on the English Durham plant. Memory, with a 4-megabit DRAM quantity offensive, should become a top weapon for giving chase to NEC.

However, due to irregularity in the period of the silicon cycle and excessive investment, investment like before was impossible. Although construction of a British plant was significant as a preparation toward European unity, the "tab" for the largest scale of semiconductor investment is probably top level in the industry as well.

Meanwhile, at present, the buyout of ICL cannot be called a "failure." It was the last great decision by Mr. Takuma Yamamoto who retired from the post of president in June 1990. Chairman Yamamoto embarked on the acquisition "confident that it would become a decision that would prove correct no matter how many years it might be resented." The fact of putting ICL under its control would serve to create a base in the European and the African markets, and Fujitsu proceeding with the use of ICL management resources, which was ahead in the area of UNIX software.

Fujitsu could be said to be at the top of the list of firms which have continued to pit themselves against IBM. Japan was one of the few nations in which IBM had the top share taken from it in large general-purpose computers, and Fujitsu was the one that did it. Fujitsu was also the one that invested in and supported the U.S. Amdahl Company and troubled IBM in the United States in a compatible machine offensive and put ICL, which rivaled IBM in Britain, under its control.

IBM feels entertains disagreeable feelings about Fujitsu's follow-up attacks. IBM has converted from the self-reliance it has had up to now and is advancing with partnerships with Japanese and other manufacturers. However, even in the case of partnerships with numerous firms in such things as multimedia, etc., it does not even try to solicit Fujitsu. A certain IBM Japan top executive says frankly, "Speaking from the chain of past events, there is an emotionally unpleasant aftertaste that inhibits any partnership with Fujitsu."

Amid miniaturization of computers, IBM continues to experience a relative decline, but its technical capability is still advanced, and as usual, cannot be ignored. Drawing a line between this type of trend in partnerships, Fujitsu takes an expansion strategy on a global scale as seen in its acquisition of ICL. However, one thing that is certain is that the risk involved is not small.

"We Must Not Stop Running"

Fujitsu is beginning earnest efforts at recovering its earning capacity. Its selection with respect to deficit business which gives precedence to growth and futurity has become severe. Also, as a project of the president, it embarked on a goal of reducing its inventory by 100 billion yen in three years and to reduce by half the number of days inventory is kept. It is also striving to curtail unprofitable businesses as seen in its withdrawal in April from sales of facsimiles to the United States.

In June it announced a comprehensive service system of information and communications systems called "Propose." It will make a clear business of the service field, some of which had been free. By strengthening the service business, it will increase the sales ratio besides hardware which is currently 30 percent to "at least" (President Tadashi Sekizawa) 35 percent by 1995. In July, it announced a partnership with the U.S. company AMD in the semiconductor area of flash memory, etc. It aims to lessen the load of the semiconductor project.

However, as usual, Fujitsu's earnings are dependant on "high growth." The true issue will probably be getting away from reliance on "high growth." In the March 1992 term, while the consolidated financial statement is beside the point, even in the simple financial statement recurring profit decreased 70 percent though sales increased 4 percent,

Junior Managing Director Keizo Fukagawa says, "Within five years, we want to make the recurring profit ratio of sales which fell to 1.5 percent reach 10 percent. However, no matter how high growth in the computer market in the future as a whole may be expected, measures that could bring about a constitution that could raise recurring profit rate anywhere near 10 percent instantaneously, much less at a stable and long-lived level, cannot be seen.

Chairman Takuma Yamamoto, who is "supreme commander," says, "The essence of corporate managers is to avoid excessive competition and make a creative product and achieve high-level growth." That inclination toward growth is strong. "We are still only one-third of IBM. Although IBM is reforming by cutting and dividing, we hope to grow to the point of having to do that as well."

There is no desire at all to reject the fruits of Fujitsu management up to now. However, the age in which there should be a conversion of "high growth" to "high earnings" is coming. The age in which expansion of big business can be perpetuated has ended. Says IBM Japan President Takeo Shiina, "IBM's restructuring is being done because of the fact that the pursuit of size is bad. There are a lot of other ways for a firm to survive besides 'expansion.'"

Foreign firms deserve attention on the point of aiming for and actualizing management that does not rely on growth. Even though NCR Japan's sales in the May 1992 midterm declined as much as 9.3 percent compared to the same term of the previous year due to the economic recession, its recurring profit only declined 30 percent so that it is able to secure a whopping 13.7 percent recurring profit ratio of sales. The recurring profit ratio of sales of IBM Japan, which suffered a loss in earnings in fiscal 1991 as well, exceeded 8 percent, although there was some benefit from the high yen.

Chairman Yamamoto says, "We do not deny that way of doing things, but Fujitsu is too big and the fields it deals in are too numerous to do that. If we go that far to prioritize profit, it would only lead to decline. We must take on the competition and keep on running."

To be sure, it is not possible to immediately quit the "high growth line." Even NCR Japan Financial Affairs Department Head Yoshinobu Kurosawa says, "Fujitsu's and our way of doing things is too different. Danger accompanies change. It would be difficult." Another problem is how to maintain the "fighting spirit" or vitality that Fujitsu has had up to now in changing its line.

However, in the past when it achieved a rate of recurring profit nearing 7-9 percent, it was during an age when sales grew 15 to 30 percent. Even if market scale were infinite, there is a limit to expansion. The next age will be one in which "symbiosis" with foreign firms will be emphasized as well. By virtue of its becoming the great "combined fleet," the walls against which growth will bump into are many and thick.

Compared to Hitachi, Fujitsu has come out with foresighted products and numerous concepts. Whether it be a conception of a cooperative system of large or small scale machines, "Message 90's," or the aforementioned "Propose," it is highly rated as "taking the initiative and doing good things" (IBM Japan top executive).

It is also a pioneer in multimedia and the FM Towns personal computer, FMR cards that use IC [integrated circuit] cards, and word processors equipped with communications functions, etc.

In the future, while further strengthening its creativity and realizing a high added value constitution that is not dependent on growth by aiming for differentiation, Fujitsu's task will also be to increase its ratio of advertising expenses to be on a par with NEC and reinforce sales capacity.

There are signs of change. However, even if eventually it will be pressed to break away from "growth dependency," it will not be easy. It will probably require a total change of generation.

Automakers Seek Cost Cuts, Increased Automation

922A0371A Tokyo SHUKAN TOYO KEIZAI in Japanese 1 Aug 92 pp 64-69—FOR OFFICIAL USE ONLY

[Article by Ryoichi Higurashi, Momoko Ito, and Atsushi Fukuda: "Can 'Dream Plants' Rescue the Automobile Industry?"]

[Text] The objective of new plants starting up in quick succession is shortened hours and increased production. However, the bubble economy has ended, and the problem of surplus equipment is surfacing. Will dream plants of automakers really bring a dream situation for the automobile industry?

The automobile industry, which has embarked on extricating itself from the condition of the "poverty from an abundant harvest" has now abandoned "raising prices" for the present due to the worsening of the sales environment and has begun to compete fiercely in "internal rationalization." One manifestation of that is that companies are desperately trying to cut costs on every level of development, manufacture, and sales. Reform of the production line is also affected. Since about 1980, new factories and lines that started up in quick succession in the last 10 years have been leading the way.

After having opened the Tawara plant in October 1991, Toyota will next open Toyota Automobile Kyushu (a separate corporate entity) after the Tawara plant No. 4 line, the first plant for "extrication from Mikawa" in spring of 1993. Nissan's Kyushu No. 2 plant and Mazda's new Bofu plant began operation in succession. In contrast to this, Honda, which has pursued an individualized style of management, was one step ahead of the others, opening the Suzuka No. 3 line in May 1989, which is a new production line. However, only Mitsubishi Motor Co. does not currently have a new plant plan. The reason for that will be examined later.

All of the new plants have integrated the new line concepts with a view toward the 21st century. It could be called a production line revolution, as it were. The biggest characteristic is that they have devised work places for the purpose of solving the shortage of workers in the future. Not only shortening working hours, but the shortage of worksite employees is a major problem for the middle and long terms.

For that purpose, each plant and production line has become "kind to human beings." Central to that is automation, but at the same time it is also aimed at the effect of keeping down labor cost increases, that is, personnel costs, which accompany shortened hours. Besides shortening hours, each company has the aim of increasing production and reallocation of factories, etc.

Compelled To Shorten Working Hours

Toyota's new plant plan is scheduled for the three locations of Hokkaido, the northeast, and Kyushu, in addition to the Tawara plant's No. 4 line in Aichi Prefecture which began operation in October 1991. Among these Mark II-class production will begin in Kyushu at the start of 1993, but the plants in Hokkaido and the northeast will both be for parts production.

When one mentions Toyota, one thinks of the representative of highly efficient production, but this is not unrelated to the fact that all Toyota's plants (five assembly plants and seven parts plants) and the vast majority of cooperating parts companies are concentrated in the eastern portion of Aichi Prefecture, in Mikawa district. This is because the aim of "getting out of Mikawa" is to accomplish the great objective of shortening working hours.

Toyota's annual gross labor hours are 2,173 hours. Management and labor have agreed to reduce this to the 1,900-hour level in 1993.

The two methods of reducing hours are by increasing personnel and by automation. However, hiring workers

64

in the Aichi area is already difficult. Even if Toyota puts great effort in hiring, since the cooperating companies in the area will only end up complaining about the shortage of people, Toyota itself will be the one to have trouble in the end.

In addition, since the separation rate of new technicians is rising yearly, automation is becoming essential. However, automated lines take up twice the space of lines that mainly use people. A human can do anything with his 10 fingers, but robots are incapable of such skilled things. Moreover, there is already no room for that in the area around Mikawa.

On the point of securing people by shortening hours, Nissan is the same. "In the Kanto area, there are a fair number of part-time factory workers. However, the number of high school graduates who become regular workers is decreasing annually. On the point of accumulating technical skill, it would not do to blindly increase the number of part-time workers. In the future, if shortening of hours advances, securing workers will be indispensable" (Managing Director Toshihiko Sekine). In 1991 Nissan's total working hours were 2,162 hours. Its target working hours are the same as Toyota, to reduce them to the 1,900-hour level during 1993.

At the same time, Nissan will, in the future, shift its production emphasis to Kyushu. Until now, Nissan's passenger car assembly plants have consisted of four plants in the Kanto area (Oihama, Zama, Murayama, Tochigi) and five plants in Kyushu (Fukuoka). The No. 2 plant which opened in Kyushu in April adjoins a preexisting Kyushu plant. It is the first new plant in 17 years, since the Kyushu No. 1 plant, which opened in April 1975.

Production equipment capacity is 30,000 units per month at the first plant. The second plant has a 20,000-unit per month capacity, and annual production at the two plants will be 600,000 units, and the largest scale within Nissan. In May, the Zama No. 1 line which had deteriorated, closed. The Sunny it had been producing was transferred to the Kyushu No. 1 plant. There are plans to build a research and development center on that land, but in the future, it will perform scrap and build for factories in the Kanto region while being used as a backup for the Kyushu plants.

Mazda first had established a system of increased production. That is to say that since 1989, it had a five-channel sales system on a par with Toyota and Nissan. Currently, it has three assembly plants. Since the start of operations of the newest Bofu plant was in September 1982, it has been nearly 10 years since it built a new plant.

Even here, countermeasures to shorten hours which is a theme of the industry cannot be ignored. Mazda's hour-shortening objective is to reduce 1991's total working hours of 2,260 to the 1,900-hour level during 1994, but the increase in personnel in the process of achieving that will be unavoidable. The new plant is also using automation as a central focus and is trying its best to avoid increasing personnel.

Honda and Mitsubishi Take Independent Course

Honda made a decision to build new plants with the aim of dealing with production increases and shorter hours one step ahead of the other manufacturers.

The Suzuka plant was the second assembly plant (beginning operation in April 1960) in that company's three-plant system, and what led to the construction of the number three line was the demand for increased production during the bubble economy in the latter half of the 1980's. During this process, the buying up of vacation days (working on holidays) occurred frequently. In response to a request by the union saying that "you should depend on equipment, not people," it built this [Suzuka] plant in May 1989.

Even in annual working hours, at the time in 1989 when Toyota had 2,269 hours and Nissan had 2,320 hours, Honda was within sight of the 1,900-hour level at 2,036 hours. In 1991 it had already significantly cleared the figure that the other companies were aiming to achieve in 1993 and 1994. The remaining issue is improvement of the other plants, but equipment investment is being held down for awhile.

Among the big five companies, right now only Mitsubishi Motor does not have plans for new plants. It has four assembly plants, two in Nagoya (in Oe and Okazaki), Okayama (Mizushima), and Kanagawa (Kawasaki). The newest among these is the Okazaki plant which started operations long ago, in August 1977.

Even with respect to demands for production increases during the second half of the 1980's, that problem was solved by performing car-type movement between factories mainly by means of "cross-production." Also, replacement of old equipment was carried out frequently, and uniform productivity is being achieved. However, concerning shortening hours, it has established the goal of reducing total working hours from 2,285 hours in 1991 to the 1,900-hour level by fiscal 1994, which is a major task.

Line of the 21st Century

What, incidentally, is the point of worksite reform? Nissan has called its Kyushu plant No. 2 a "dream plant."

The buildings and air conditioning of new plants make them seem a veritable "factory park," but the important point is to be found on the production lines. The line concept of Nissan's new production line is improvement of the working environment and applying FMS [flexible manufacturing system] in the entire plant.

This is something common to all these companies, but the area that is becoming the target of the "kind to

65

human beings" work environment is the line that assembles parts in the car body, which is where labor is most concentrated. The processes prior to the assembly line, such as the press, body assembly, welding, and painting processes are relatively easy places to achieve automation, and welding and painting have become almost 100 percent automated. Incidentally, the rate of automation is obtained from a formula that divides automated hours by total process hours.

In assembly line automation rates, Nissan's Kyushu plant No. 2 is 20 percent; Honda's Suzuka No. 3, Mazda's new Bofu plant, and Mitsubishi's Mizushima plant all have a rate of 18 percent. Toyota's Tawara plant No. 4, although the data is not published, is twice that of the preexisting plant at about 10 percent. It could be said that Toyota has come to be so dependent on people instead of machines, but since this is a point that concerns the origin of the Toyota production method, it will be discussed later.

Further, in the improvement of the work environment, the use of conveyor belts has been eliminated and electrically driven platforms are used instead. The platforms can be adjusted up or down to suit the working position of the worker. So the flow operation by conveyor belts which appeared in Chaplin's *Modern Times* and were symbolic of the modern factory are gone. This method was integrated earliest at Honda's Suzuka No. 3 line, but at Nissan the platforms have been increased to make the line longer.

The Machines of Nissan and the People of Toyota

Also, as a management strategy point, FMS of all the lines is accelerating a notch. In an automobile industry that is referred to as "one strong, four weak," how the four big companies excluding Toyota will achieve a mass production effect from the standpoint of production has become an issue for management. For that reason, the group including Honda, Mazda, and Mitsubishi have adopted the "cross-production" method, in which it is possible to run several car models on one line at once.

In contrast, Nissan, which has a somewhat larger production scale, has examined adjusting by moving models between plants to deal with the variation in sales of car models. Although there had been model movement between plants up to now as well, too much time was required for manufacture and installation of tools and jigs, causing numerous instances of missing out on favorable business opportunities. Therefore, the IBS (intelligent body-assembly system) was developed.

This is a system in which positioning during the most difficult welding on the body was automated by computer control, and this made it possible to greatly shorten the time required to start up a new model. This system has entered the remaining Murayama plant, and all other plants. The amount of investment was in units of billions of yen, and will have a big price tag. However, (Managing Director Sekine) says that "the investment can be recovered with as many as two model changes," so Nissan has worked very intensely to build this system.

On this point, a good contrast is created with Toyota, whose Tawara No. 4 assembly line's rate of automation is a low 10 percent. This is due to the fact that there is a basic difference between the line concepts of Nissan and Toyota. For instance, the father of the Toyota production method, former Vice President Taiichi Ono says that, "One other strength of the Toyota production method is 'automation' that emphasizes the work of people more than machines." The Toyota production method puts emphasis on thinking about how people work and not how machines work and is not all that enthusiastic about competition in automation.

Automation Will Not Become a Trump Card

New domestic plants are opening in quick succession, but a point that should be reconsidered is the fact of "whether this will become the decisive factor in the extrication from the phenomenon of poverty from abundant harvest."

This poverty from abundant harvest which should be escaped from refers to the industrial constitution in which low profit is obtained relative to long working hours. It is vital to simultaneously change to a constitution that can increase profitability while securing working conditions with more latitude. For that purpose, it is necessary to simultaneously achieve shorter hours and improve earnings. Here, the demands of unions and the interests of management agree.

What should be done at the production worksite to achieve this? Although there will be some differences in reform direction depending on each company's line concept, the main point is how to handle automation of the line.

Line automation "has the dual aspects of stabilizing product quality and respecting human beings," says Masaki Iwai, Honda Suzuka plant manufacturing manager, but 100 percent complete automation is impossible. It would be different if, like EC automobile manufacturers, one said that it is okay not to change a model for a long period, but in Japan where side-by-side competition is fierce, that is impossible as a practical problem. It could also be said that, inversely, as automation advances production stability, line flexibility is lost.

So to what extent will each company's greatest objective be reached? It will reach about 30 percent at Honda's Suzuka No. 3 and Nissan's Kyushu No. 2 plants. Due to Toyota's production method concept, its faith in automation is comparatively weaker than the others. There is also the fact that getting workers for its new Kyushu plant is not that difficult, and it is expected to advance cautiously with automation.

However, in moving ahead with automation, a rethinking from planning and development stages of such things as making parts common, etc., is indispensable. Even at the Mitsubishi Motor plant which is doing cross-production, "with the extension now, we are advancing with automation, but 20-odd percent will be the limit. What remains is that we must advance with automation of the sublines," says Mizushima plant Production Engineering Department head Taira. This is because, in short, in order to advance with automation of the main line, the structure of the unit which is assembled in the main line must be altered. For instance, advance integration of the instrument panel and the dashboard, which had been assembled separately up to now, is just such an example. Each of the manufacturers is now beginning with reexamination of design, including development.

Depreciation Increases Stand in the Way

However, although the before-mentioned objectives are clear-cut, something that stands in the way is business performance, which is suddenly worsening. It will be impossible to move forward without first getting over this obstacle.

From the decision to invest until reaching completion, the bubble economy converged. The automobile sales environment was changing suddenly. Amid a cooling in demand, the new plants are weighing heavily on automakers as "surplus equipment." As evidence of that, overtime has dropped to zero. Besides Honda and Mitsubishi, Toyota, Nissan, and Mazda's earnings are suddenly worsening due to the abrupt increase in the depreciation burden relating to new plants.

At Nissan, where the depreciation burden is rising rapidly, not only has the No. 1 line at the above-mentioned Zama plant become idle, its No. 3 Tochigi line has also stopped, and production of the compact Pulsar has been transferred to Fuji Heavy Industries (with monthly production of 5,000 units) and the Kyushu No. 2 plant. Since the Kyushu No. 2 plant is one line, it amounts to a one-line decrease, but, even at that, "currently there is an approximately 20-percent equipment surplus," says Managing Director Sekine.

At the Kyushu No. 2 plant, the Pulsar is currently being produced on a monthly base of 8,000 units. This is not anywhere near the 20,000 units possible in full production. The speed at which car bodies move between processes is 2.5 minutes per unit. Compared to the one minute per unit at full production, this is extremely slow. Although they say "we will go to full production" (Kyushu plant Manager Shinichi Ariizumi) next spring for a different model and, to do cross-production, for the present, the power of the new plant will not be demonstrated.

Not only that, there is no way to procure all parts and material just within the Kyushu region. "We plan to build a press plant in about two years," says Managing Director Sekine, but until the establishment of an integrated system in Kyushu that includes parts, movement between the Kanto and Kyushu areas will become frequent, and distribution costs will pile up.

Mazda is also bullish, and, according to a top executive at that company, "next spring, we will go into full production of a luxury car that will be distributed by a new marketing channel of the Yunosu system." However, the new Bofu plant which has full capacity with two shifts of 160,000 units, is currently operating on one shift, leaving its nighttime operation idle. Management at Nissan and Mazda will be walking on a tightrope for awhile.

At present at Toyota, the two shift system on the Tawara No. 4 line has switched to one shift due to market sluggishness. In 1993 it will start up its new Kyushu plant. In the case of Toyota, improving productivity is probably more of an emergency issue than surplus equipment. That is, if it follows the work-shortening plan of reaching the 1,900-hour level in 1993, working hours will decrease 12 percent compared to 1990. Against this, equipment capacity will increase 5 percent with 200,000 units when the Kyushu plant is completed, and even if production at the new English plant (operational at 200,000 units per year at the end of 1992) is added, it still does not reach 12 percent. Toyota will have to proceed at a rapid pace with such things as reduction of car types and parts varieties, technician education, employment of new personnel, and putting the elderly to use, which it has begun to grapple with in recent years.

Toyota has not had an equipment surplus because it does not have a midterm plan and it adjusts flexibly to the environment.

Mitsubishi, which does not have any new plants, has the lightest investment burden. However, in the future as an hours-reduction countermeasure, it will not be able to avoid at some juncture either expanding facilities or increasing the number of workers on the worksite. At that time, to what extent will it really be able to tolerate the equipment burden and labor costs?

Henceforth, which one will be able to demonstrate the true power of the "dream plants"? Everything depends on the success or failure of internal reform in order for firms to quickly extract themselves from the constitution of side-by-side competition.

Profile of Mitsubishi Electric's Takashi Kitaoka

922A0377A SHUKAN TOYO KEIZAI in Japanese 1 Aug 92 p 86-87—FOR OFFICIAL USE ONLY

[Text] "It was as if I had suddenly been named pitcher while striking out as an outfielder told to improve his batting average." Thus did Takashi Kitaoka speak in baseball terms of his state of mind when retiring president Shiki named him as his successor. He said it had come as a total surprise, not expected at all. Among the top managers of general electric machinery manufacturers, dominated by people from the heavy electric machine fields, Kitaoka will be the first president with experience in the semiconductor business.

At present, the semiconductor department, under Kitaoka's direction for seven years, has been yielding almost no profit, because of delayed entry into 4M [megabit] DRAM [dynamic random-access memory] production as well as dull sales of finished products. However, other departments are also experiencing similar hardship. The urgent task Kitaoka faces will be the recovery of the company's performance. However, Kitaoka cheerfully talks of his attitude as he faces this test in the following terms: "My turning point has come at a time of recession. I come resolved to manage somehow, despite the slow business."

Kitaoka, upon joining the company, had been assigned to the department of railroad electric machinery and, later, around the time of the second oil shock, transferred to the elevator department. Furthermore, when he transferred to semiconductor operations in 1985, it was also in the midst of a recession caused by the high yen. And now Kitaoka has become president during the present high-technology recession. For certain, Kitaoka's turning points seem to come during recessions. "There are bad times as well as good times. Recessions increase the pleasures that follow."

The reasons former president Shiki listed for Kitaoka's selection were wide ranging experiences from basic to state-of-the-art fields, his sense of balance and international sensitivity, as well as his naturally cheerful personality together with a variety of hobbies. Kitaoka's interest in vocal music, which he pursued in earnest after joining the company, led to his directing the women's chorus which took first place at the National Industrial Workers' Chorus Contest in 1970, during his days at the Itami branch. With his wife, he enjoys social dancing as well as driving. He is ranked as a "silver" in social dancing.

Kitaoka's attitude toward work reflects his personality well. It is his desire that company employees, while striving hard, also enjoy their work. "One feels great when a task is carried to completion." This attitude vitalizes the company which, in turn, leads to a profit yield. "If, to you, a company is only a place that pays you, your life is a lost one." It is strange that the above quote, which may be taken to mean that the company should take precedence over all, sounds fresh when uttered by Kitaoka.

Profile

Takashi Kitaoka was born on 29 January 1931, in Kyoto Prefecture. He completed a master's degree in the Department of Engineering Studies (electrical engineering), Kyoto University, in March 1955. In April of the same year he went to work for Mitsubishi Electric Corp. He became director of the electric trains production department at the Itami Works in 1975; head of Kita (North) Itami Works, as well as director of the semiconductor business promotion department at the company headquarters, in 1986; general manager in 1987; managing director in charge of the electronic devices business headquarters department in 1988; vice president in 1991. He assumed the post of the presidency in June 1992.

Family: Consists of his wife and two sons, both of whom are already independent. Hobbies: vocal music, social dance, and automobile driving. He sings well in wide variety of styles, to taped orchestral accompaniment ranging from "new music" to tangos to Beatles songs. In golfing, his handicap is 16. At one time, he was a devoted tennis player. Alcoholic beverages: He takes a little. Favorite motto: "Joyous is life."

* Series Profiles Prime Minister Miyazawa

* 'Inept' in Personal Relations

922B0254A Tokyo YOMIURI SHIMBUN in Japanese 27 Aug 92 p 2—FOR OFFICIAL USE ONLY

[Article by reporter Keiko Iizuka: "Will His Political Tone-Deafness Be Overcome?—Attentiveness and 'Haragei' Are Keys"; first in three-part series on "Three Faces of Prime Minister Miyazawa"]

[Text] Prime Minister Miyazawa returned refreshed from an unusually long summer vacation. His posture in grappling with business policies and preparations for the pending visit to Japan by the Russian president lacked the gloominess of the days when he languished over the slump in his support rate, and there were even signs of composure in his face. Nine months after his assumption of office, the correspondents assigned to closely cover the prime minister analyzed "Kiichi Miyazawa, the politician," from three vantage points.

Prime Minister Miyazawa wears an oversize suit. It even looks baggy. Board chairman Jun Shimokawabe of the Tokyo Marine and Fire Insurance Research Institute, who has known the prime minister since his days as director of the Economic Planning Agency, says with a wry smile: "He is a headstrong person who has always worn suits double his size to present himself as a bigger person."

There is a plan for the prime minister to sit alone before the TV cameras like a U.S. president and talk to the people about "a nation with one of the highest living standards." Although concerned that it "might be difficult for the prime minister, who dislikes performances," his aides are wracking their brains (over the plan).

"Miyazawa's reputation" around Nagata-cho is that he is politically tone-deaf. Political tone-deafness is explained in political circles as 1) inability to grasp the political circumstances, 2) lacking a keen insight into human nature, and 3) lacking 'haragei' [ability to send implicit signals, a uniquely Japanese expression]. In sharp contrast to the prime minister, former Prime Minister Takeshita, an expert in "attentiveness and keen insight," is reputed to be thoroughly versed in "politics," while

Vice President Kanemaru has depth and is an expert of compromise by "adding and dividing by two." A person is politically tone-deaf unless he knows that the political world is ruled by sensibility rather than sense, and by the power of numbers rather than rhetoric.

Soon after he assumed office during the reshuffling of the chairmanship of the political reform headquarters and the lower house deliberation on the PKO [peacekeeping operations] cooperation bill, he said: "I have left them up to the party," and it brought laughter within the party members. While on a stumping tour before the upper house elections, he suddenly stated, regarding the dispatch of the Self-Defense Forces [SDF] to Cambodia, that "the disarming of the Pol Pot forces must be given priority," which caused the Foreign Ministry great consternation.

Statements that lack attentiveness to current circumstances caused many observers to judge that they stem from "a lack of curiosity about the people"—a trait that is indispensable for a politican. Masaya Ito, a political commentator, points out that "it is a major reason for the absence of political sense."

However, is the prime minister, who was involved directly and indirectly in important postwar conferences beginning with the peace treaty since his career as a bureaucrat and was called a "tough negotiator," really "politically tone-deaf and uninterested in the people?"

Shimokawabe, who has "recently been called frequently to the official residence," explains: "I believe that he feels lonely. It is not that he dislikes people, but he is probably inept in associating with people. The reason is that he has always emphasized that "it is the content that wins the game."

If so, his "political tone-deafness" is perhaps the result of "actions of resolve" added to the inherent characteristic of "Miyazawa, the politician."

Of course, now that he has advanced from the head of the Miyazawa faction to prime minister and party president, the prime minister himself should be fully aware that he can no longer go his own way.

In February this year, a friendly meeting was held by the leaders of the Liberal Democratic Party [LDP] at a metropolitan restaurant. A slightly inebriated Vice President Kanemaru admonished the prime minister that "all things relate to human relationships." Whereupon the prime minister drank cups of sake in rapid succession, after which he sang a popular Japanese ditty. Kanemaru then told him: "I did not like you until now, but I have become fond of you." This episode appears to have revealed a new aspect of Miyazawa.

Whether it was because such efforts bore fruit, he won the cooperation of the Takeshita faction led by Kanemaru, and the PKO bill was enacted. Also, the emperor's visit to China, which had met with fierce opposition from the conservative elements within the party, was successfully put on the path toward realization.

However, the political community which observes people with strict criteria continues to judge the prime minister as acting with deliberation. One proof in this regard is the fact that, at the aforementioned restaurant gathering, Kanemaru issued a warning when he said: "I will keep my promise as a man that I will support the Miyazawa administration, as long as I am not betrayed."

Until now, there was an aspect of the prime minister that said: "I do not mind being called politically tone-deaf. Today, however, the prime minister appears to be trying to take off his oversize suit. Is a transformation possible, and for whom? Not only Nagata-cho, but also the people of the nation are watching closely.

* Viewed as 'Dove'

922B0254B Tokyo YOMIURI SHIMBUN in Japanese 30 Aug 92 p 2—FOR OFFICIAL USE ONLY

[Article by reporter Michiro Okamoto: "A Dove as Stubborn as a Hawk—True Worth Lies In Future Words and Actions"; second in three-part series on "Three Faces of Prime Minister Miyazawa"]

[Text] On 29 August, Prime Minister Miyazawa visited his home district in Hiroshima Prefecture for the first time since he took office as prime minister. It was not a triumphant "return home" trip, but one to attend a funeral for the late LDP lower house member Fumitake Kishida (Miyazawa faction), a relative.

His home district wanted him to make a triumphant return in conjunction with the atomic bombing anniversary on 6 August, but it reportedly did not materialize due to misgivings about "combining a celebration with the bombing anniversary."

A press conference was held on 14 July at the Japan Press Club.

"Japan is not taking the Constitution lightly. I believe the present Constitution is a splendid one, so I have no intention of changing it." The prime minister's face reddened and his voice was raised.

It was when a foreign reporter pointed out that the dispatch of the SDF on PKO duties would probably violate Article 9 of the Constitution, saying, "The Japanese are making light of the Constitution."

"How can you say that, knowing nothing about the Constitution and the history of postwar Japan?" According to comments of the prime minister's aides, such anger could be read in the prime minister's countenance.

The prime minister has followed the conservative mainstream and adopted the policy of "light armament with priority on the economy." There is no change in this basic posture.

69

However, there have been ironic statements among the opposition parties such as "it is probably contrary to Mister Miyazawa's real intention to send the SDF on PKO duties," or "because of his debt stemming from his request for support from the Takeshita faction in the party presidential election, he is probably deferring to former Secretary General Ichiro Ozawa, proponent of the interpretative constitutional reform theory."

Hyosuke Kujiragaoka, former director of the Environment Agency, shows understanding when he says: "Mr. Miyazawa is still a dove. However, because he is the prime minister, there are times when he must be decisive, however difficult the situation. If he is nonchalantly told that 'you have changed,' he would naturally become angry."

"Mr. Miyazawa is a person who understands what he can do within the limits of the Constitution. I do not believe that he is dragged along by Mr. Ozawa because of concerns to maintain his political power" (Sempachi Oishi, lower house member).

"He is thoroughly aware that postwar Japan was born from the peace Constitution and the light-armament policy based on the Japan-U.S. axis" (a high Foreign Ministry official).

Numerous statements like such testimony by those affiliated with politics give the impression of "Prime Minister Miyazawa, a member of the dovish faction." How does one define the doves and the hawks, and where does one draw a line of distinction? It is quite a difficult problem.

Generally speaking, a hawk rejects compromise and settles matters by force rather than discussion, while a dove is the opposite. The gauge used by some members of the opposition that "a dove is pro-Constitution, and a hawk is for constitutional reform" is an overgeneralization.

As far as the prime minister is concerned, his image as a dove is strong in contrast to the hawkish former Prime Minister Nakasone, as is often pointed out. His attitude and soft demeanor unmistakably help to form his convictions as a dove. On the other hand, his incorrigible stubbornness and fierce anticommunist belief can also mark him as a considerable hawk.

Today, when diversification of value concepts, the end of the cold war structure, and the defeat of communism are pointed out, the significance of the conventional distinction between "doves" and "hawks" is diminishing.

Yuko Kurihara, former chairman of the LDP Constitutional Research Committee, who is against interpretative constitutional reform and stresses the need for national debate on the Constitution, says that "the ideal politician should be liberal and rational instead of dovish or hawkish."

What kind of image is Prime Minister Miyazawa trying to create for himself? The words and actions of the prime minister, who is finally beginning to show his true face, will bear watching.

* Emphasis on Policy, Not Party

922B0254C Tokyo YOMIURI SHIMBUN in Japanese 31 Aug 92 p 2—FOR OFFICIAL USE ONLY

[Article by reporter Tetsuya Harada: "Devotion to Policy and Delegating Party Matters to Others—Kanemaru's Resignation as a Turning Point"; last in a three-part series on "Three Faces of Prime Minister Miyazawa"]

[Text] An LDP [Liberal Democratic Party] seminar was held on 30 August in Karuizawa, Nagano Prefecture. The shock of "Vice President Kanemaru's resignation" on the 27th had faded from the face of Prime Minister Miyazawa, who gave a lecture in the role of overseer as the LDP president.

However, the "Kanemaru resignation" had undeniably cast a dark shadow on the course of the Miyazawa administration.

In November last year, the prime minister publicly stated: "I will leave party matters to the care of the prime minister's office. Immediately afterward in January this year, he appointed Chairman Kanemaru of the Takeshita faction to the vice presidency, and in accordance with his public promise he established a de facto system of "the separation of the prime minister and the party president."

The prime minister was inherently uninterested in the murky bargaining between the factions and the subsurface negotiations with the opposition over resolution deliberations. Therefore, he was conscious of his own inaptitude. His aim from the beginning was to leave the unrelished role of LDP president to the political forces of the Takeshita faction centering on Kanemaru, and to perform the role of prime minister as the responsible government official for the policy phases of foreign affairs and domestic affairs.

Is the prime minister, who seeks a policy breakthrough, manifesting his leadership?

Overcoming the present serious recession is a critical test for the prime minister who is regarded as an expert in economics. However, a look at the recent LDP-led style of business measures shows a strong aspect of "high party and low government," wherein it is the government that is pressed by the political party.

An aide provides a commentary that "the government gives the impression of being pressed by the LDP, but in reality it is using the pressure of the LDP and moving the Finance Ministry. Although the next story is somewhat outdated, the aide emphasizes that, in June of this year when Kanemaru visited the United States, it was the prime minister who tacitly permitted him to make a public promise regarding a large-scale expansion of domestic demand, and who eventually forced the reluctant Finance Ministry to "draft early business measures."

The prime minister is presenting "a nation with high living standards" as the slogan of the administration. For the prime minister, who was director of the Economic Planning Agency in 1962 during the Ikeda cabinet and had been deeply involved in the "double-income increase plan," the concept of Japan with high living standards is the "life-work of Kiichi Miyazawa, the politician" (an aide).

In his stumping tour for the upper house elections last month, he presented detailed data in consideration of the regional traits of each speaking venue, such as how to solve the congestion of train commuting, and displayed extraordinary efforts. The materialization of his slogan for high living standards is typical of the prime minister as a policymaker.

Masao Harada, adviser at the Imperial Hotel and a friend since their student days at the Musashi Higher School (old system) says in retrospect: "During our higher school days, whenever Miyazawa's opinion differed with the teacher, he argued thoroughly." This aggressive aspect of the prime minister has abated, but his unbending will remains intact. The only difference is apparently that it does not surface.

Takujiro Hamada, one of the prime minister's close associates and a lower house member of the Miyazawa faction, declares: "Such party affairs as the drafting and implementation of foreign and domestic policies, the coordination of interfactional interests, political spadework, and personnel handling inherently constitute the two sides of a single mission. Mr. Miyazawa is a realistic rationalist, after all. His fortes and weaknesses aside, he has shrewd opinions concerning party policies."

Nonetheless, the dependency of the administration's base on the Takeshita faction is widely recognized as a shortcoming. It is for this reason that Seiichi Ota, a lower house member of the Miyazawa faction, places his hopes on "a growth to a full-fledged administration with the next cabinet reshuffle."

However, the lack of clarity regarding the administration's future only increases. Amid signs of a fluidity in the political situation with the "Kanemaru resignation," the upcoming visit to Japan by Russian President Yeltsin to discuss the northern territories problem, and the pending political reform will prove to be acid tests. The controversy surrounding the language to be used by the emperor on the first visit to China by an Emperor in Japanese history also weighs heavily (on Miyazawa's mind).

Attention is focused on the prime minister's prowess—how he will display his leadership to survive the problem-ridden extraordinary Diet session and present an appealing "face" of the administration.

Nikkeiren Leader Urges Takeshita Diet Testimony

OW2410095292 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Oct 92 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] Takeshi Nagano, president of the Japan Federation of Employers Association [Nikkeiren] (and concurrently chairman of Mitsubishi Materials Corporation), held a news conference on 20 October. Touching on former Prime Minister Noboru Takeshita's approach toward the allegation that gangster organizations were involved in the establishment of the Takeshita administration in 1987, Nagano said: "If gangster groups were involved, it would have been very improper. It will be necessary to ask Takeshita to give a detailed explanation on this issue." Thus, Nagano gave his view that Takeshita himself should make clear the relevant facts. As for the method to find out the truth, Nagano said: "Whatever the method, it would do if only the truth is revealed. I think the most official method is for the Diet to summon him." Thus, he indicated his view that it will be desirable to agree to the opposition's demand to summon Takeshita to testify at the Diet session as a sworn witness.

Nikkeiren Vice President Yutaka Kume (concurrently chairman of Nissan Motor Company), who was also present at the news conference, agreed with him and said: "If Takeshita had any relations with crime syndicates, it would be unforgivable under a law-governed state. I hope that he will give a proper explanation to the Diet."

LDP's Mitsuzuka Stresses Electoral Reform

OW2610144792 Tokyo YOMIURI SHIMBUN in Japanese 20 Oct 92 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Interview with Hiroshi Mitsuzuka, chairman of the Mitsuzuka faction of the Liberal Democratic Party, by unidentified reporter; place and date not given]

[Text] [YOMIURI] Shin Kanemaru, former vice president of the Liberal Democratic Party [LDP], recently resigned from the Diet. What do you think of his resignation?

[Mitsuzuka] As long as the medium constituency system remains unchanged, party factions will continue to exist and will seek political funds. Faction leaders think that "Mr. Kanemaru's misfortune today might fall upon them tomorrow." The Sagawa Kyubin scandal will never be closed merely with Mr. Kaneamaru's resignation. I believe the only alternative to wipe out the people's distrust in politics is to drastically reform the current medium-sized constituency system.

[YOMIURI] Some LDP members have said that it is too early to implement a reform of the electoral system.

[Mitsuzuka] They hardly understand the seriousness of the recent scandal. Revisions to the Political Funds Control Law, political ethics, and the electoral system should be considered "one reform package." The LDP will sweat blood over drawing up a definite plan (by November) for the introduction of a small constituency system. The plan will be submitted to (the next) ordinary Diet session as a bill and the LDP will endeavor to pass the bill through the House of Representatives first and then the House of Councillors.

[YOMIURI] Some LDP members have pointed out that the small constituency system will cause various problems. They say it will further strengthen party executives' power to select LDP-endorsed candidates.

[Mitsuzuka] The procedures to select party-endorsed candidates should be conducted openly based on recommendations from local LDP chapters. By citing a mayoral election in the Amami Islands constituency, some claim that the small constituency system is costly. But the election in the Amami constituency was a fight between two conservatives backed by two different LDP factions. By revising the Political Funds Control Law and Public Offices Election Law and by enacting a law to support political parties with public funds, problems which might possibly occur with the introduction of a small constituency system can be avoided.

[YOMIURI] It is possible that opposition parties will object to the small constituency system. What kind of plan do you have to realize a reform of the electoral system?

[Mitsuzuka] Based on principles of parliamentary democracy, our party will first draw up a bill on electoral sytem reform, and this will be submitted to the Diet for full discussion. Intellectuals and representatives of eligible voters will be asked to give their opinions on the bill. Even if, after all these procedures, the LDP cannot win an (opposition camp's) agreement, the bill will be adopted under majority rule, the basis for democracy. The question is how the LDP will pass the bill through the House of Councillors. Should the bill be rejected despite the LDP's all-out efforts, it should be taken up by the next Diet. Then, in the next general election following the dissolution of the lower house, the LDP will ask for the people's judgement on the bill. If the House of Councillors still rejects the bill even after the LDP has won the general public's support, the house deserves to be dissolved. The LDP does not mind fighting another upper house election.

[YOMIURI] What optional measures will be worked out through talks between ruling and opposition parties?

[Mitsuzuka] If the opposition parties can feel a sense of crisis in the current situation and hope for the revitalization of party politics, I think they will automatically realize the need for a small constituency system. There is no perfect electoral system. It is desirable that opposition parties submit a counter bill and that the LDP and opposition parties seek common views on an electoral system through Diet deliberations.

[YOMIURI] How do you respond to the opposition camp's demand that Mr. Kanemaru and former Prime Minister Noboru Takeshita be summoned to the Diet for testimony?

[Mitsuzuka] Mr.Kanemaru resigned from the Diet in the hope that a political reform would be carried through. I think he will somehow comply with the demand if Diet members say they want to question him for the future political reform. As for Mr. Takeshita, he himself has said he is ready to talk. I think he meant he will testify at the Diet.

[YOMIURI] What do you think of the confusion within the Takeshita faction which emerged after "Mr. Kanemaru resigned"?

[Mitsuzuka] I only hope that through unreserved talks, the Takeshita faction will establish a new structure for itself.

[YOMIURI] Some LDP members expect the end of the dominance of the Takeshita faction.

[Mitsuzuka] Because the largest Takeshita faction did not field its own candidate in the last LDP presidential election, a dual power structure was formed. LDP factions should follow the basic principle of competitive mutual coexistence.

[YOMIURI] What are the future strategies for the Mitsuzuka faction coming to power?

[Mitsuzuka] Each LDP faction is destined to seek the party presidential post, which automatically comes with the prime ministerial seat. Each faction should not make easy compromises with other factions to obtain the post, however. It is important for each faction to follow party principles and make everyday efforts to revitalize party politics. As long as Prime Minister Miyazawa is resolved to sweat for this, the Mitsuzuka faction will give him full support.

Watanuki Recommends Political Reform

OW2610143092 Tokyo YOMIURI SHIMBUN in Japanese 17 Oct 92 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Interview with Tamisuke Watanuki, secretary general of the Liberal Democratic Party, by unidentified reporter; place and date not given]

[Text] [YOMIURI] Shin Kanemaru, former vice president of the Liberal Democratic Party [LDP], recently resigned from the Diet. What do you think of his resignation?

[Watanuki] It is really regrettable that a summary indictment was filed against him for violation of the Political Funds Control Law and that a fine was imposed on him.

But he has extended a deep apology to the general public and the LDP is resolved to squarely tackle the political reform issue in order to prevent a similar corruption case from occurring.

[YOMIURI] How do you respond to opposition parties' demand that Kanemaru be summoned to the Diet for testimony?

[Watanuki] This corruption case should not be settled only by sacrificing Mr. Kanemaru (by summoning him to the Diet and concluding Kanemaru alone is to blame). We have to go back to the basic question as to whether or not it was the political structure that caused this scandal. We should then make efforts to win back the people's trust in politics.

[YOMIURI] Because of his alleged involvement in the "Komin-to incident," former Prime Minister Noboru Takeshita has been asked by opposition parties to appear before the Diet for testimony and to resign from the Diet.

[Watanuki] What each LDP member should do now is practice politics while reflecting on his or her past conduct. Other parties should not settle this corruption case merely by attacking the LDP while claiming that they are not guilty in this case.

[YOMIURI] But if a crime syndicate was really involved in the inauguration of the Takeshita administration, it is a serious matter.

[Watanuki] I believe no gangsters were involved. But since the people have some doubts, an explanation from Takeshita will be needed.

[YOMIURI] In the Diet?

[Watanuki] I am not in a position to say anything about this. You will see what will happen after the Diet session is convened.

[YOMIURI] The Social Democratic Party of Japan and Komeito have said that they will refuse to discuss a draft supplementary budget, which will be used to boost the economy, unless a thorough investigation into the Sagawa Kyubin scandal is carried out.

[Watanabe] I think it is not a matter of choice between political ethics and economic recovery measures. The two issues are equally important and should be discussed.

[YOMIURI] Does the LDP still intend to compile measures to promote drastic political reform by November?

[Watanuki] I hope that a draft supplementary budget will be deliberated at the upcoming extraordinary Diet session. At the same time, the 18-point political reform measures, to which the ruling and opposition parties have agreed, must be adopted. If these 18-point reform measures had been adopted earlier, the illegal political donation Mr. Kanemaru received could have been confiscated. These measures must be adopted. As for drastic reform measures, since Prime Minister Kiichi Miyazawa has ordered the ruling party to work them out "by November," a new direction for the drastic reform will be indicated by then; though I have no idea what kind of reform measures will be worked out.

[YOMIURI] Some LDP executive members are calling for exercising prudence in enforcing drastic political reform, however.

[Watanuki] The electoral system is relevant to political funding. It is uncertain whether less politcal funds are possible in a small constituency system. By focusing on this point, full discussions will be called for among LDP members. I think the reform of the electoral system should be implemeted urgently. Since it is possible that some party members will insist that the reform be enforced for elections in the 21st century, we may have to be prepared for the postponement of the reform, however, and take this issue as a mid- or long-term problem.

[YOMIURI] What do you think of the confusion in the Takeshita faction, to which you belong?

[Watanuki] I hope that the faction members will maintain their unchanging unity as comrades. I believe they are moving in the right direction.

[YOMIURI] Is it possible that the faction will splinter?

[Watanuki] I think the faction members will realize the need for them to unite with each other to tide over the Diet session.

[YOMIURI] Some members among the other LDP factions are welcoming the confusion beause they think it will lead to the end of the "dominance of the Takeshita faction."

[Watanuki] Since it (the Takeshita faction) is the largest group, it holds many talented members. If there are more talented personnel (within the other factions), we could allow them to manage the LDP. They should not expect the Takeshita faction to split only because they want to be in power, however.

Opposition Parties To Align Against LDP

OW2610101892 Tokyo NIHON KEIZAI SHIMBUN in Japanese 18 Oct 92 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] On the eve of an extraordinary Diet session, brisk moves have been carried out by the three opposition parties—the Socialist Democratic Party of Japan [SDPJ], the Komeito and the Democratic Socialist Party [DSP]—to forge an alliance to struggle together. The three opposition parties, which have so far cooperated closely with each other in demanding a thorough probe of the Sagawa Kyubin influence-peddling scandal and regulations on political funds, are believed to be seeking an alliance because the public is persisting in its demands for a disclosure of the truth about the scandal—even after former Vice President Kanemaru of the ruling Liberal Democratic Party [LDP] resigned as member of the House of Representatives. Hence, it is very likely that while the alliance—that was built among the LDP, the Komeito and the DSP when the UN Peacekeeping Operation (PKO) Cooperation Law was enacted at the previous ordinary Diet session—will collapse, a conventional type of ruling-opposition rivalry will resurrect itself at the forthcoming extraordinary Diet session.

In connection with the probe into the Sagawa Kyubin scandal, the three opposition parties have already agreed to summon Mr. Kanemaru and former Prime Minister Takeshita to testify before the extraordinary Diet session. They are also in agreement on seeking Mr. Takeshita's political and moral responsibility for the involvement of criminal organizations in the the Takeshita administration when it was inaugurated. The three opposition parties have also decided to demand Mr. Takeshita's resignation from the Diet. According to Komeito Secretary General Ishikawa, the SDPJ and the Komeito have expressed that they will not hesitate in boycotting deliberations for the supplementary budget at the Budget Committee in order to get their testimonies, saying that "we need to be powerful enough to get testimonies from them at the expense of the supplementary budget." The DSP is expected to join the SDPJ and the Komeito.

In the course of deliberating political reform in the extraordinary Diet session, the three opposition parties plan to stress the need to strengthen regulations on political funds, taking into account public criticism against fining Mr. Kanemaru 200,000 yen for receiving 500 million yen in violation of the Political Funds Control Law. Specifically, the three opposition parties are demanding the addition of: 1) the confiscation of illegal political contributions; 2) a five-year suspension of civil rights for legislators convicted of violating the Political Funds Control Law and; 3) a limitation on the number of organizations collecting political funds—to the 18-point emergency measure for political reform on which the ruling and opposition parties have already agreed at a political reform consultative meeting.

Komeito Chairman Ishida has said that "depending on the case, the three opposition parties will jointly demand the addition of the three points to the 18-point emergency measure for political reform." SDPJ Secretary General Yamahana has said that the "three opposition parties, transcending their interests and policies, will cooperate with each other in probing the Sagawa Kyubin scandal and deliberating political reform at the Diet. The three opposition parties plan to hold tripartite working-leval talks to discuss what they should jointly propose at the Diet.

In the course of deliberating the the PKO Cooperation Law at the previous ordinary Diet session, the LDP and the Komeito forged an alliance, and the DSP later joined that alliance. As a result, this aliance among the three political parties led to the enactment of the law at the Diet. In previous upper house elections, the LDP and the Komeito cooperated with each other in some constituencies. As a result, the LDP-Komeito-DSP alliance and the LDP-Komeito alliance have taken hold.

Currently, pressure is building within the Komeito and the DSP on demanding a thorough probe of the scandal, however, and there is a view that the Takeshita faction of the LDP is losing its centripetal force because of intrafactional strife triggered by the resignation of Mr. Kanemaru as member of the Diet; and this will make it difficult to steer the extraordinary Diet session. In any case, the SDPJ, the Komeito and the DSP are expected to step up their joint struggles in the future.

Editorial on Takeshita Faction Split

OW2710121892 Tokyo TOKYO SHIMBUN in Japanese 24 Oct 92 Morning Edition p 4—FOR OFFICIAL USE ONLY

[Editorial: "The 'Split' of the Takeshita Faction Is a Good Chance for LDP Reform"]

[Text] The Takeshita faction seems to have tentatively settled a prolonged ugly feud over the chairmanship of the faction by nominating Keizo Obuchi, who belongs to the "anti-Ozawa group," as new chairman at a meeting of top executives. This is a great relief to us.

Confusion in the faction is likely to continue because of the "Ozawa group's" objection to the nomination, however. The Ozawa group, which did not attend the executives meeting, opposed the nomination, saying: "It is totally unacceptable." It is obvious that the decision to nominate Obuchi as new chairman has deepened the split within the Takeshita faction, the largest among the factions of the Liberal Democratic Party [LDP].

Each LDP faction was formed through human relations. Thus, fierce confrontation within the Takeshita faction will prevent it from patching up its intra-factional split for the time being. A cracked rice bowl will never return to its original shape. If the current situation is left unmended, a drastic change in the balance of power among the LDP factions will occur, however, and Japanese politics will be in a more difficult situation. Energy exerted on this leadership feud should be used for political reform.

Incumbent ministers frequently and unashamedly visited the Takeshita faction's offices in broad daylight in luxury cars while saying: "We are not doing anything that hinders the national administration." We cannot take their word for it after we have seen ministers calling their fellow members into their offices to discuss factional affairs. It is a matter of course that the people are criticizing the leadership feud within the Takeshita faction. The people's distrust in politics has further deepened.

Takeshita faction Diet members should discuss in earnest measures to respond to the people's anger at the Sagawa Kyubin scandal, which forced Mr. Kanemaru—who "took care of" the faction's political funds and personnel affairs—to resign from the Diet. Also, they should reflect deeply on their conduct.

The Takeshita faction has clung to the logic that "power lies in the majority." Staying in power, it has collected gray political funds. Also, pushing the prime minister aside, it formed line-ups for the cabinet, in which Takeshita faction members hold dominant positions. Such a high-handed attitude will no longer be allowed.

Some Diet members in the "Ozawa group" were reportedly angered at the decision to nominate Obuchi as a new chairman, saying: "This tramples on democracy." The existence of factions themselves runs counter to democracy, however, although they were formed within the LDP as a necessary evil. So what kind of democracy are these faction members talking about? We cannot help questioning their sense as Diet members.

Former Prime Minister Noboru Takeshita, the founder of the Takeshita faction, was forced to step down from power because of his involvement in the Recruit scandal. Mr. Kanemaru, who took over the chairmanship of the Takeshita faction, had to resign from the Diet because of the Sagawa Kyubin scandal. More odiously, both Kanemaru and Takeshita allegedly had connections with an organized crime syndicate.

The only way for each Diet member in the Takeshita faction to take responsibility for the series of scandals that have occurred is to first disband the faction and then make a fresh start. This is the task for the new chairman, Obuchi.

Recent polls have shown a drastic decrease in support for the Miyazawa cabinet and a large increase of people who disapprove. These results clearly indicate that the people have judged that Prime Minister Miyazawa is lukewarm in thoroughly investigating the Sagawa Kyubin scandal and in settling the Kanemaru issue.

The virtual split of the Takeshita faction is proof that the largest faction, which has controlled other LDP factions, has been corrupted and at the same time is collapsing. The LDP needs a new pivot.

For Prime Minister Miyazawa, the current situation is very desirable. He should make an example by dissolving the Miyazawa faction and should then desperately and thoroughly investigate the Sagawa Kyubin scandal. Reflecting on the LDP's past conduct, he should endeavor to realize political reform, including the reorganization of the political world.

Editorial Urges Public Prosecutors' Action

OW2610123092 Tokyo ASAHI SHIMBUN in Japanese 21 Oct 92 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Editorial: "This Time Public Prosecutors Meet the People's Expectations"]

[Text] Have public prosecutors met our expectations? When the case involving Shin Kanemaru, former vice president of the Liberal Democratic Party [LDP] who admitted receiving 500 million yen donation from Tokyo Sagawa Kyubin Co., was settled by summary indictment, we wrote a severe criticism under this title against the public prosecutors for failing to conduct a thorough investigation into the case.

With regard to the question as to how the 500 million yen was used, the Special Investigation Department [SID] of the Tokyo District Public Prosecutors' Office has disclosed that it would resume its investigation into the case. It is very unusual that the investigation is being resumed immediately after its suspension. When viewed from the standpoint that the objective of a criminal investigation lies in making the truth clear, however, it was just a matter of course that the investigations would be resumed, and it certainly is desirable to change the present course.

The Kanemaru side has stated that "500 million yen was distributed among some 60 comrades." Those Takeshita faction "comrades," who are strongly suspected of receiving illegal donations have been engaged, day in and day out, in internal strife for leadership of the faction, acting as though this were none of their business. This time, public prosecutors must carry out thorough investigations to find out the truth, and settle the case so that they will not be criticized again for conducting "slack investigations."

The phrase referring to "prosecutors' prestige" probably originated from prosecutors' own pride that they support the country's backbone by ensuring justice and carrying out the rule of law.

Prosecutors' prestige has been seriously damaged in the process of handling the current Sagawa Kyubin scandal—to an unprecedented degree.

First of all, without questioning Kanemaru to find out the truth, prosecutors adopted an easier method of settling the case by merely accepting a written statement. As a result, a sense of distrust and unfairness has been decisively implanted among the people.

Due to loopholes in the law, no action can be taken except for collecting 200,000 yen in fines in this case. Therefore, the case can be settled by letting the person admit the violation and by collecting a fine. This is nothing but an argument attaching importance to a formality. The broad principle of law lies in "never being obsequious to the powerful." With regard to failure in doing the utmost to have the involved Dietman report for questioning, severe criticism against concerned prosecutors have been made continuously by their colleagues and by former prosecutors as well.

Secondly, in the course of investigations, various rumors have been heard concerning the relationship between senior officials of judicial and prosecutory departments on the one hand, and powerful politicians on the other. As a result, these rumors must have given the people the impression that such a relationship must have led to an inconclusive settlement.

It is difficult to think that investigations have been distorted by politics. An unprecedented number of such facts have been reported with regard to the current case, however. There is no denying that, due to long-term administration by the LDP, as well as to the Takeshita faction's continuous rule, the prosecutory side may have possibly cherished some type of permissiveness.

It is not easy to restore prestige that has been damaged. Public prosecutors must start by eliminating the impression that "they have conducted slack investigations."

Reportedly, Kanemaru's secretary stated that 500 million yen was "first deposited to the account of a designated political organization and then distributed among comrades." No charges will be imposed on politicians who violate quantitative limitations on donations made by political organizations. On the basis of the secretary's statement, public prosecutors have once decided to shelve investigations into the criminal responsibility of those Dietmen who received the distributed funds.

By any stretch of the imagination, it is certainly unjustifiable that a huge amount of money, circulating through secret channels, never appeared on the surface, however—such as in reports on settlements of accounts—and then unnoticed, turned into legal donations. From a commonsense standpoint, those politicians from the Takeshita faction who received the distributed money should be suspected of violating the regulation concerning quantitative limitations. Concerning this point, it is difficult to understand why none of them are willing to talk about the money.

The fundamentals of the investigtions lie in "conducting them rigidly in accordance with law and evidence." In reality, it is impossible to apply laws to all cases of wrongdoing, however. Besides, there is a limit to the capability of the prosecutory organization.

Trust can be fostered by carefully handling cases within the limitations of the law while taking into account what influence the cases may impose on society and what the people's reactions will be. The "prosecutor's prestige" perhaps lies in trust thus fostered. Same mistakes should not be repeated. This time, there will be no other alternative for public prosecutors but to carry out a thorough-going investigation.

Ishida Urges Reconsideration of Political Funds

OW2810004792 Tokyo MAINICHI SHIMBUN in Japanese 19 Oct 92 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Interview with Komeito Party Chairman Koshiro Ishida by unattributed MAINICHI SHIMBUN correspondent; place and date not given]

[Text] [MAINICHI SHIMBUN] Is not the people's reaction against the Tokyo Sagawa scandal greater than expected?

[Ishida] That is because the people can easily understand the three elements constituting it: large amounts of illegal donations, political settlement through the submitting of a letter of appeal, and involvement of yakuza and rightist groups.

[MAINICHI SHIMBUN] Is it possible for opposition parties to cooperate during the next session of the Diet in a probe of the case?

[Ishida] It should be. We must be practical for things to work out right.

[MAINICHI SHIMBUN] How will that be in concrete terms?

[Ishida] Instead of immediately plunging into the issue at the very beginning of the Diet session, we should let the Budget Committee begin its session and thereby build mutual trust among the opposition parties step by step. There is no other way. We have been deceived many times by the Social Democratic Party of Japan [SDPJ], however. If they do not adopt a more sincere attitude, there can be no cooperation. The question is whether the SDPJ realizes this.

[MAINICHI SHIMBUN] Is it possible for the Diet to take up and act on two issues—the pump-priming package and questioning of the case—at the same time?

[Ishida] We have no choice but to somehow take care of both matters.

[MAINICHI SHIMBUN] Political distrust seems to be spreading among the people concerning not only the Liberal Democratic Party [LDP] but also the opposition parties.

[Ishida] There is genuine backlash from the people. We would like to respond to the people's hopes by adding to the 18 items of agreement already made between the ruling and opposition parties concerning political reform.

[MAINICHI SHIMBUN] Former LDP Secretary-General Ichiro Ozawa and Komeito Party Secretary Yuichi Ichikawa are so close to each other to be called the "Ichi-Ichi" duo. Will developments in the Takeshita faction have some effect on the Komeito Party?

[Ishida] Undoubtedly there was a strong link between Komeito and the LDP through the "Ichi-Ichi" line when Komeito supported the PKO Cooperation Bill following the defeat of the draft International Peace Cooperation Bill during the Kaifu administration. Thus there may be grounds for outsiders to make such remarks, but this is a scandal. It is the party's general policy to use this time as an opportunity to push political reform.

[MAINICHI SHIMBUN] Do you think "behind-the-scenes politicking in the Diet" by the opposition parties was responsible for giving former LDP Vice-President Kanemaru his power as party boss?

[Ishida] I view the matter from a different angle. If Mr. Kanemaru was so powerful, he would have been able to hold together the LDP, and political reform would have been accomplished. He is definitely very powerful, but I believe his power was not absolute.

[MAINICHI SHIMBUN] What do you believe should be done first about political purification?

[Ishida] I believe what lies in the root of the evil is political donations from businesses. Changing the election system is fine, but we cannot get rid of corruption unless we really tackle the political funds issue. I believe that had Prime Minister Kiichi Miyazawa carried on with the Kaifu administration's efforts, it would have taken him only six months to put together the draft bill for drastic political reform.

[MAINICHI SHIMBUN] It seems the draft bill may not be put together by November; in that case, how do you plan to press the prime minister to take responsibility?

[Ishida] There are few who think it will be put together, and it will become a major issue during next year's regular Diet session. Since so many incidents continue to occur, there will be grave developments in the future.

[MAINICHI SHIMBUN] Do you mean the fall of the cabinet?

[Ishida] I believe voices calling for it will arise. Even now there are suggestions for a reshuffle.

77